EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

NIGERIA
Modest boost to a shaky economy
Page 4

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World News

Somali rebels say president is trapped in bunker

Somali rebels fighting to oust President Mohamed Siad Barre said the president was trapped in an underground military bunker in Mogadishu while fierce battles raged around him. Page 4

Soviet crash kills 55

Fifty-five people died and 14 were seriously injured when a bus and car collided in fog with a truck carrying diesel fuel north of Rostov-on-Don, near the Ukrainian border. The truck burst into flames.

Athens alarmed

Athens is becoming alarmed by the flood of Albanian refugees pouring across the border. Some 3,000 men, women and children fled on foot in one day. Page 2

Doctors freed

Two Swiss doctors kidnapped by Colombian rebels were released to the Red Cross after nearly two weeks in captivity, Swiss television reported.

Drugs extradition

Three Guatemalan drug suspects, including the mayor of a provincial capital, will be extradited to the US to stand trial, the American embassy in Guatemala City said.

Flights cancelled

American Airlines cancelled hundreds of flights in the last three days of 1990 because of crew shortages caused by a pilots' go-slow, a spokeswoman for the US carrier said.

Mayor murdered

The murder of a village mayor in northern Corsica prompted President François Mitterrand to summon an emergency meeting of his inner cabinet for later this week. Page 2

Ulster inquiry call

Dr Cahal Daly, new head of the Roman Catholic Church in Ireland, called for an independent inquiry into the killing by British soldiers of an unarmed republican. Page 6

Girls die on bridge

A high-speed train crushed two girls, believed to be aged 12 and five, who were playing on a rail bridge near Avignon in southern France.

Zaire invites UN

President Mobutu of Zaire has invited the UN Human Rights Commission to the trial of officials over an incident in which students were reported killed last May at Lubumbashi University. Page 4

China executes 39

China executed 39 criminals after a mass rally in a sports stadium in the central city of Xian as 1990's crackdown on crime reached a crescendo. Their crimes included murdery, robbery and rape.

Palestinians die

Israeli troops killed four Palestinians in the occupied West Bank on the 26th anniversary of the first Fatah guerrilla group operation against Israel. Page 3

New Year mayhem

Twenty-one people were killed, some of them hit by stray bullets, as the Philippines welcomed 1991 with firecrackers and gunfire.

Diva's farewell

Opera diva Joan Sutherland, 64, raised cheers and tears when she sang at Covent Garden in London for the last time. She formally retired in Sydney in October.

The runaway train

Passengers were evacuated hastily from railway platforms in Chicago when an empty commuter train had to be derailed as it raced towards Union Station. The train began moving while it was idle in a railyard two miles away.

Business Summary

USG draws up plan to lighten its debt burden

USG Corporation, the largest manufacturer of gypsum wallboard in the US, has announced a financial restructuring plan designed to lighten its debt burden and save it from the need to file for Chapter 11 bankruptcy.

The Chicago-based company has deferred repayment of $105m in bank loans and is to halt $40m of interest due on some of its junk bonds. Page 13

NIGERIAN budget: Military government is to cut interest *rates and increase foreign* exchange allocations in an effort to boost the economy before the handover to civilian rule in 1992. Page 12

HARRODS, London department store, has signed an agreement with Japan's Mitsubishi Corporation to sell men's and ladies' fashion goods in Japan through "signature stores". Page 12

GUARDIAN Royal Exchange, UK general insurer, is to dispose of two of the three Italian subsidiaries it acquired in March 1989. Page 13

SOCIETE Générale de Belgique, Belgium's largest company, has reshuffled its portfolio by selling 54.4 per cent stake in diamond company Sibeka to Acec-Union Minière for BFr6.9bn ($224m). Page 15

BELLSOUTH, largest of US regional "baby Bell" telephone companies, is buying Graphic Scanning, a financially troubled cellular telephone and paging service business for $180m. Page 14

OIL and gas: C. Itoh and Exxon are to conduct a joint feasibility study on the development of oil and gas resources on the Soviet Far East island of Sakhalin. Page 4

FRENCH Treasury is to issue FFr100bn ($19.6bn) of fungible bonds in 1991, about 15 per cent of which will be denominated in Ecus. Page 16

DEUTSCHE Babcock, German engineering group, made a group loss for financial year to September 30 of DM85m ($57m), mainly because of restructuring costs in energy and environmental technology divisions and a drop in power station business. Page 14

NICARAGUA closed the year with a 9 per cent currency devaluation, cutting the cordoba's value to 3m to the US dollar.

IRAN has been awarded a FFr940m ($185m) court judgment against France by a Geneva tribunal in dispute over a uranium-enrichment contract dating back to the 1970s. Page 3

DATA General, US computer maker, has dropped a product-development agreement with Nippon Telegraph & Telephone. Page 14

US buyouts: Foreign purchases of US companies will face increasing criticism amid frustration in Bush administration with Japanese trade policies and public concern that foreigners are snapping up US assets. Page 2

CLARIDGE Israel of Canada is purchasing 33 per cent of Israeli food company Osem for $26.7m. Page 14

STUDENT Loan Marketing Association of the US is to buy all of Chase Manhattan Bank's $1.2bn in insured student loans. Page 14

UK recession led to a 35 per cent increase in business failures in England and Wales last year compared with 1989. Page 6

ISRAELI banks: Five Israeli banks and 17 bankers have been charged with causing a 1983 collapse of bank shares that cost the government more than $3.5bn.

Financial markets take first nervous steps into 1991

MOST financial markets resume business today after the new year break amid worries about how a war in the Middle East could affect a world economy already under strain from a slowing in growth in many large countries, write Peter Marsh and Andrew Taylor in London.

There are fears that the decline in share values seen in the past 12 months on many of the world's main bourses will continue during the early part of 1991.

That would further undermine investor confidence, which is already low as a *result of* a series *of highly* publicised corporate setbacks in the past year.

On foreign exchange markets the dollar, which suffered a large fall in value during 1990, is likely to remain weak in the next few months, according to many analysts. It was quoted on Monday night at DM1.4955, 20 pfennigs lower than at the end of 1989.

Nervousness about the Gulf crisis is likely to show up on financial markets in the two weeks ahead of the January 15 deadline imposed by the United Nations for Iraq's withdrawal from Kuwait.

A *full-blown* conflict *could* lead to higher oil prices and impose added pressures on economies – especially in the US and UK – which are suffering from ebbing demand and weaker business confidence.

On stock markets, many investors were happy to see the end of 1990, which saw large falls in share prices for many of the world's biggest companies. The FT-Actuaries World index, an indicator of global share prices, declined by more than 19 per cent during the year.

In 1990, the Dow Jones Industrial Average fell by 4.3 *per cent to* 2,633.66.

The broader Standard & Poor's 500 index fell by 6.6 per cent – its first annual fall since 1982.

Japan saw the biggest decline. The Nikkei index declined 39 per cent during 1990 after hitting a peak at the end of 1989. Unlike other main markets, Tokyo remains closed today and tomorrow.

In Britain, the FT-Actuaries All-Share index fell by almost 1.5 per cent in 1990 – the first annual fall since 1976.

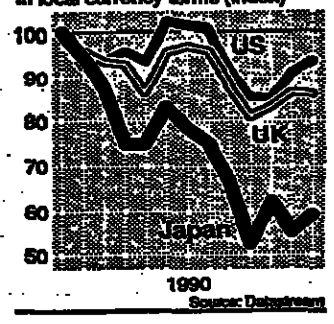
High interest rates, together with weakening demand, have led to a sharp rise in recent months in company failures, particularly in the economies of the main English-speaking countries. Property companies have been particularly badly affected as commercial property values have fallen sharply in *London, New York and* Tokyo.

Outside the US and Britain, Japan and Germany appear likely to experience a continued period of relatively high economic growth, although this looks like being lower in 1991 than in 1990.

Lex, Page 12; How world stock markets performed in 1990, Back Page, Section II

FT-Actuaries World Indices

In local currency terms (index)



Source: Datastream

Iraq rejects Mubarak call to withdraw from Kuwait

By Tony Walker in Cairo, David Buchan in Brussels and Ivo Dawnay in London

IRAQ yesterday rejected an appeal from Egypt to withdraw from Kuwait and avoid war, maintaining a tone of defiance as the January 15 United Nations deadline approached.

Mr Saddam Hussein, the Iraqi president, accused Mr Hosni Mubarak of being a clown, a liar and a US lackey after the Egyptian president called on Iraq to heed UN resolutions and leave Kuwait.

Mr Mubarak's statement *relects growing nervousness in* the Middle East ahead of the January 15 UN deadline for Iraq to quit Kuwait.

The Egyptian leader warned: "I fear we are closer to a merciless hell . . . (in which) heads will turn white, minarets will bend and the mutilated bodies of victims will be scattered in seas of blood."

His warning comes as diplomatic efforts to diffuse the crisis have accelerated. With only the faintest glimmers of compromise in the air, alarm is beginning to grow in many quarters at the prospect of a destructive war in the Gulf.

Mr Saddam, who has accused his US counterpart of betraying God in his determination to wage war in the Gulf, has given no sign in recent days of weakening. Some observers in Baghdad detect a determination within the regime to hang on past the UN deadline in the hope that the nerve of the US-led coalition will ultimately fail.

King Hussein of Jordan, who has been seeking to promote *an Arab dialogue to resolve the* crisis, leaves for Europe today in a further effort to mobilise European support for a last ditch peace initiative.

US officials in Washington said that Mr James Baker, the US secretary of state, was also considering a further visit to the Middle East before January 15 – a trip which would leave open the possibility of a short-notice visit to Baghdad.

European leaders are in turn set to launch their own effort to avoid war at Friday's meeting of Community foreign ministers in Luxembourg and are likely to endorse a meeting with Mr Tariq Aziz, Iraq's foreign minister.

However, Britain will make *clear to its EC partners that* any EC-sponsored meeting with Mr Aziz must not appear to offer a negotiated solution to the conflict.

Mr Jacques Poos, the Luxembourg foreign minister who will chair Friday's meeting, has said he is ready to meet Mr Aziz, though he said it might be "inopportune" for the encounter to be in Baghdad.

Mr Poos made clear that any European approach to Baghdad would remain strictly in tune with the US in demanding Baghdad's unconditional withdrawal from Kuwait.

No EC country had any intention of "making promises to Saddam Hussein," he said yesterday.

The EC meeting was called for by Germany and seconded by France. Its timing reflects concern by some EC governments that, before shots are fired, European leaders should have exhausted all diplomatic means to avoid conflict.

British officials said yesterday that the UK would have "no difficulty" in going along *with a meeting with Iraqi leaders* if EC partners favoured one. But Mr Douglas Hurd, the foreign secretary, will tell colleagues at the foreign ministers meeting in Luxembourg on Friday that there must be no "blurring of the message" to the Iraqis.


Waiting for war: two US marines man a checkpoint in Saudi Arabia as smoke from a refinery rises behind

"This is the European version of President Bush's 'last mile for peace'," a foreign *office official said, implicitly* suggesting that the initiative was aimed as much at public opinion as at the Iraqis.

Washington will watch Friday's meeting in Luxembourg closely. Last month Mr James Baker, the US secretary of state, said he was not concerned at the possibility of the Europeans arranging their own meeting with Mr Aziz, provided *that they passed on the* same message as Washington.

Mr Baker was nonetheless privately much relieved when the EC dropped the idea.

Middle East, Page 3; Change in EC presidency and Poos profile, Page 12

Airlines will seek Sabena links as venture dropped

By Paul Betts in London and David Gardner in Brussels

SEVERAL airlines are expected to seek a partnership with Sabena after the abandonment of a planned joint venture between the Belgian state carrier, British Airways and KLM Royal Dutch Airlines.

BA plans to continue to discuss a strategic alliance with Sabena despite the decision, announced on Monday, not to make a £34m ($66m) investment in the venture.

But it is expected to face competition from airlines including American Airlines, Scandinavian Airlines System (SAS) and Trans European Airways (TEA), the Belgian independent charter airline, which are all interested in forging links with Sabena.

BA, KLM and Sabena said they were withdrawing from the venture because of "practical difficulties" in implementing their plan to create a carrier called Sabena World Airlines in which BA and KLM each owned 20 per cent stakes.

The proposal also involved developing Brussels' Zaventem airport into a European hub connected to 75 European cities.

Reasons for the collapse of the deal included the arrival of a new chairman at Sabena and an apparent policy switch at the Belgian airline; objections from the European Commission and other airlines over the possible anti-competitive implications of the three airline partnership; the growing finan*cial squeeze facing the airline* industry because of soaring fuel prices and the economic slowdown; and Sabena's own deepening financial problems.

The collapse of the deal is a setback for the longer term European strategies of BA and KLM which were both hoping to bolster their competitive positions in the newly deregulated European airline market by creating a European hub at Brussels.

Sir Colin Marshall, BA's deputy chairman and chief executive, said BA "will continue discussions with the new chairman of Sabena with regard to his future plans for the airline."

Sabena has asked the Belgian government, its principal shareholder, for a BFr6bn ($195m) cash infusion. The airline has accumulated government debt of about BFr14bn *and urgently needs* a further BFr90bn to replace its fleet, made up of largely ageing Boeing 737 twin engine jets. Losses are estimated to have climbed to between BFr4bn and BFr6bn last year from a deficit of BFr1.3bn in 1989.

Mr Pierre Godfroid, the new Sabena chairman, has been asked by the Belgian government to draw up a restructuring and recapitalisation plan *by the end of this month, with* a preference for a Belgian solution with Belgian capital playing a leading role in the rescue.

TEA, the Belgian charter airline, said yesterday it was ready to negotiate with the state carrier. Mr Godfroid has held talks with American Airlines which is interested in expanding its European operations. American Airlines *has held talks with* TEA.

SAS, which had unsuccessfully proposed a rival partnership with Sabena to the BA-KLM venture, is now expected to revive its interest in a possible link.

Analysis, Page 13

British chancellor rejects calls to devalue sterling within ERM

By Peter Norman, Economics Correspondent, in London

THE British government is ruling out a devaluation of the pound to a lower central rate in the exchange rate mechanism of the European Monetary System.

Mr Norman Lamont, chancellor of the exchequer, in a new year interview with the Financial Times, gave British businesses a clear warning that they could not expect to be bailed out by a depreciation of sterling.

Asked whether he might consider a lower central rate for the pound than the current DM2.95, perhaps in connection with a move to a narrower fluctuation margin or a general EMS realignment, he answered simply: "No."

The pound closed on Monday at DM2.8850 and is the weakest currency as measured by the ERM's fluctuation bands. The pound and Spanish peseta – which is the strongest – may fluctuate by 6 per cent either side of their central rates, while other member currencies are restricted to 2.25 per cent. Mr Lamont underlined several times that membership imposed a discipline which the government had accepted deliberately.

Interest rate decisions would be taken "within the overriding framework of the exchange rate mechanism" and interest rates themselves would "obviously be set at a level that is consistent with our ERM obligations." Companies needed to control their costs in response to *ERM* membership, he said.

Mr Lamont expects the UK economy to recover once there has been a "marked reduction in inflation" and rejects the idea that Britain faces a slump or economic free-fall.

His "overriding priority" was to get inflation down and this would remain the main object of macroeconomic policy, and of monetary policy.

Mr Lamont, who was *appointed chancellor of the* exchequer in November when his predecessor, Mr John Major, became prime minister, said he wanted to be remembered in the short run as the chancellor who presided over a sharp reduction of inflation followed by the resumption of economic growth in Britain.

But he underlined that in the longer term, economic policy must have other goals such as increasing the sustainable growth rate of the economy, and so improving living standards and public services.

Mr Lamont will have to face negotiations in the coming months with Britain's European Community partners in the Intergovernmental Conference on economic and monetary union.

He made clear that he will not be rushed into accepting a single EC currency.

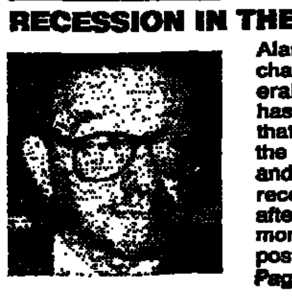
He said that the government's alternative idea of a "hard Ecu" parallel currency could evolve into a single EC currency if governments and peoples *so chose.*

"But it is also clear that this is not a decision we need to take now."

Interview in full, Page 5

CONTENTS

RECESSION IN THE US



Alan Greenspan, the chairman of the Federal Reserve Board, has encouraged hopes that the downturn in the US will be short and shallow with the recovery beginning after less than the 13-month average of all post-war recessions.
Page 10

FT SURVEYS THIS WEEK

The definitive ranking of Europe's industrial and commercial power-houses.

■ ACQUISITIONS, for decades a way of life for British and US companies, have now become a powerful force reshaping the market values of publicly quoted European industry. That is the lesson of the new FT European 500 survey of the top 500 companies in Europe, which appears on Tuesday, January 8.

■ Changes among the top 10 mirror the acquisitive activity of a number of German giants, but how far must they move to displace the British companies that have for decades dominated the corporate map?

Soviet forces lift veil from harsh life of barracks in Germany

One woman visitor said the sight and smell of the mess hall would cause a revolt in a prison, writes Leslie Colitt

LT COL Vladimir Polikarpov of the Third Guards Tank Division in eastern Germany looked surprised. "If we had known you were coming we would have prepared things," he told his unexpected German guests.

The visitors, bearing New Year gifts, had appeared at the gates of the sprawling Soviet installation unaware that, only hours before, General Boris Snetkov, Commander of Soviet Forces in eastern Germany, had been publicly disgraced in Moscow and relieved of his post.

The general was held responsible for desertion of a regimental commander and a weapons officer who absconded with three advanced Soviet tank shells, as well as anti-tank and anti-aircraft missiles, in the most dramatic of 145 recent desertions from the Soviet army in eastern Germany.

The Germans came in response to a Berlin newspaper report that Soviet army installations in Bernau were holding a New Year's Eve open house similar to ones held recently in other Soviet camps around Berlin. In fact, there had been a misunderstanding and the Russians had merely said Germans wishing to give presents to Soviet troops could hand them in at the main gate.

The visitors, who included this correspondent, expressed disappointment and were finally allowed in for an impromptu inspection of the Soviet camp. If, as one west German observed, his countrymen were in a romantic mood about things Russian, some illusions were dashed by the visit.

Life in the tank barracks is unremittingly harsh. The gloomy halls and rooms of the barracks, a factory before the war, have not seen fresh paint in decades. Soldiers sleep 10 to a room in narrow beds. Walls of the adjoining rooms are plastered with accounts of the heroic deeds of the Red Army in the Second World War and in protecting anti-fascist East Germany from western aggression.

The German visitors were astonished by an ancient television set in one of the rooms whose controls had been removed so troops could receive only the Soviet channel beamed by satellite to east Germany.

Outside the weapons room, sealed by a steel gate, an officer assured the visitors that it was quite secure. West German officials claim that large quantities of stolen Soviet rifles and guns have been hawked to German civilians by Soviet officers eager to get D-Marks to buy used cars to take home with them.

Few of the visitors were prepared for the sight and smell of the mess hall which one woman suggested would cause a revolt in a German prison. The soldiers were drinking from metal cups whose white lacquer had long since cracked and broken off. The odour of disinfectant permeated the room with its rows of tables and rickety chairs. A sign over the entrance wished the soldiers a "good appetite".

Outside, young soldiers chipped away in slow motion at ice left over from a snowfall last November. Others smoked or chewed gum and watched, bored. There are no recreation facilities, only a museum recounting once again the battles of the tank division as it made its way across eastern Europe into Germany in 1945. It was not hard to see why desertions from the Soviet army, which is due to maintain a presence in east Germany until December 1994, are soaring.

We asked an officer for the WC and were led to a row of indescribably filthy stand-up toilets overflowing on to the floor. The officer shrugged his shoulders knowingly when we emerged.

Col Polikarpov, while glossing over his men's problems, nevertheless impressed the visiting Germans when he said he and other Soviet officers felt no regrets about not being called to the front in the Gulf crisis. "We were in Afghanistan. This time it is the turn of the Americans," he said.

Soviet troops on waggons after unloading tanks to be shipped from Rostock in east Germany to the Soviet Union

Turkey and Pakistan try to get closer to Iran

By Farhan Bokhari in Islamabad

MR Ali Akbar Velayati, Iran's foreign minister, arrives in Islamabad today for talks with his Pakistani and Turkish counterparts aimed at expanding economic and political co-operation.

Officials say Pakistan and Turkey are faced with new economic pressures resulting from the Gulf crisis, and can benefit from closer relations with Iran, especially with Tehran's growing regional importance, larger revenues from higher oil prices and big national reconstruction needs.

Iran's role in the region became more important last week, when GCC (Gulf Co-operation Council) countries at their annual summit in Qatar welcomed Iran's wish to improve ties. Iran responded by saying it was willing to discuss a regional security arrangement for protecting Gulf countries.

This followed several months of diplomatic efforts to convince all GCC countries except Saudi Arabia, with which Iran has no diplomatic relations, that Iran's protection is essential for the success of any such arrangement.

The three foreign ministers will primarily discuss the Gulf crisis. But they will also examine prospects for expanded regional co-operation under the five-year-old ECO (Economic Co-operation Organisation) which includes Pakistan, Iran and Turkey. Turkey also has an interest in finding new export markets.

In recent weeks Pakistani officials have repeatedly said they would like to see more economic co-operation with Iran. Prime Minister Mian Nawaz Sharif is due to visit Tehran later this month, after an earlier visit by Mr Nisar Ali Khan, the oil minister, to seek concessionary oil supplies and export markets.

Some Pakistani businessmen also see prospects for sending labourers to fulfil Iranian reconstruction needs, as a means for Pakistan to reduce unemployment and receive more overseas remittances.

Refugee flood alarms Athens

MR Constantine Mitsotakis, the Greek prime minister, alarmed by a flood of Albanian refugees crossing the border, will visit Tirana this month to urge the Greek minority to stay there, Reuter reports from Athens.

About 3,000 men, women and children fled Albania in the past 24 hours alone, police said yesterday. The latest exodus came after more than 2,000 Albanian refugees, mostly ethnic Greeks, had streamed across the once heavily guarded border during December.

The new flood of refugees is the biggest to reach Greece for many years. Families walked for 9-15 hours to escape. Their flight would have been impossible until Albania recently began opening up after four decades of Stalinist isolation.

"We're struggling to put them up wherever we can," a police spokesman said in the northwestern town of Igoumenitsa. "We're putting them in hotels, schools, tents, anywhere, but the weather is nice and they just keep coming."

The Greek government and the Orthodox Church have appealed to the ethnic Greeks in Albania, estimated by Athens to number about 400,000, to remain while the authorities implement political reforms pledged in early December.

But the refugees, including an increasing number of women and children, have said the government of President Ramiz Alia cannot be trusted and the promised free elections on February 10 will be a sham aimed at retaining the communists' grip on power.

"Everyone wants to leave," said Mr Nikos Lezos, 36, a recent arrival who tunnelled under a barbed wire border fence and swam a freezing river to escape to freedom. "Alia is not trying to reform Albania. Everyone is ready to revolt."

He said thousands of people were gathering in border villages preparing to cross, with the once trigger-happy Albanian guards apparently content to let the refugees pass.

Greece has become increasingly alarmed by the exodus, and Mr Mitsotakis said last night he would visit Tirana on January 13 and 14.

For 45 years Albania, which has a population of 3m, was one of the world's most isolated countries. But since the death of dictator Enver Hoxha in 1985, it has slowly opened up to the outside world.

Albania sets out to attract foreign investors

By Laura Silber, recently in Tirana

COMMUNIST Albania is treading new ground in its efforts to find the right formula to attract foreign investment.

"Call me and you can start building a hotel tomorrow," Mr Shkelqim Cani, general director of the newly-created Albanian State Bank for Foreign Affairs, told western visitors last week in one of Tirana's two hotels for foreigners.

Mr Cani represents the newest breed of technocrats who, prompted by President Ramiz Alia, have spearheaded the drive to modernise Albania. As head of the bank, Mr Cani says Albania, with Europe's lowest standard of living, must hurry to catch up. "Westerners should come and get acquainted with the real Albania," he says.

The government has targeted several priority sectors for foreign investment, including joint ventures in agriculture and foodstuffs, and light industry, especially tourism and textiles.

President Ramiz Alia of Albania said yesterday that 1991 would be a turning point in his country's move towards democracy and he appealed for calm as changes take place, Reuter reports from Vienna. His New Year's address on state radio also looked back on a month of unprecedented reforms, including his decision to allow opposition parties to exist for the first time in four decades of hardline communist rule and to let them compete in free elections in February.

Mr Alia warned Albanians that further disturbances would endanger reform. Leaders of the opposition Democratic party have also appealed for calm and plan to hold a series of peaceful rallies across the country to gather support.

Mr Cani believes hard currency earnings could be boosted by building secluded luxury hotels along the undeveloped southern coastline. Albania would offer an alternative to the better known, faster-paced Mediterranean resorts, he says.

Albania also lacks equipment to explore and exploit offshore oil reserves. Advanced technology is needed, too, to step up chrome production – Albania is the world's third largest chrome producer.

The ban on foreign investment under Mr Enver Hoxha, the country's orthodox communist founder, was lifted last spring. But potential investors have complained Albania's communist officials will not cede decision-making powers to private entrepreneurs.

Foreigners can put up 99 per cent of capital for an investment project but they are required by law to form a joint enterprise with a state-run Albanian partner.

Profits can be repatriated but are subject to taxation.

However, Albanian officials realise they must offer incentives to investors. "We are now discussing a tax holiday of up to five years," says Mr Ligor Dhamo, president of Albania's Chamber of Commerce.

Albania will have to compensate for poor transport links with other countries and for its internal infrastructure, which lags behind neighbouring Yugoslavia and Greece. Telecommunications present another problem.

Mr Cani realises that Albania will have to overcome these gaps in order to attract investors. The Albanian State Bank, which was founded last month, has already signed a protocol for joint investment with the Bank of Bilbao worth $1bn for financing priority projects, he says.

Mr Rehxep Erbeli, a US-based businessman of ethnic Albanian origin, says that he would like to open a hotel or a restaurant in Albania. "But I want to own it," he says.

"Hundreds of businessmen have visited and left empty-handed. The bureaucracy is too strong, but they know a change will have to come soon."

Communism has not yet been abandoned for capitalism. But Mr Cani admits that socialism and the free market have not worked together well in eastern Europe. He adds: "Albania is not a carbon copy of the east European economies. We will try until we get it right".

Shekhar faces opposition over talks with Sikhs

By K.K. Sharma in New Delhi

MR CHANDRA SHEKHAR, India's new Prime Minister, is facing opposition from some of the country's leading political parties over his invitation to Sikh militants to hold talks on their demand for "self-determination".

The parties are anxious that any solution to the Sikh question should not lead to the break-up of the Indian union.

Under this pressure, Mr Shekhar, who leads a minority government supported by Mr Rajiv Gandhi's Congress party, issued a statement that the talks would be held within the framework of the Indian constitution and that there would be no compromise on the country's integrity.

In effect, this rules out an independent homeland in Punjab for the Sikhs. Since the militants have demanded secession from the Indian union and creation of an independent nation they call Khalistan, this could stall the talks even before they have started.

Mr Shekhar's invitation came over the weekend when he met Mr Simranjit Singh Mann, leader of the main faction of the Akali Dal, the Sikhs' political party. Mr Mann's mandate for the meeting, according to a memorandum submitted to the Prime Minister, was limited to a discussion "on the right of self-determination" for the Sikhs. The Hindu fundamentalist Bharatiya Janata Party, now the main opposition group in parliament, has sought assurances that the talks would not set in motion a process that breaks up the country.

The Congress party, while not opposing the talks with the militants, has asked for similar assurances. The two Communist parties have opposed the talks on the grounds that there has been no discrimination against the Sikhs.

One of the main objections of the political parties is to the militants' demands that the talks be held under an article of the Constitution that deals with negotiations with foreign countries, thereby giving the impression that they consider the Sikh community a separate nation already.The militants have not yet reacted to Mr Shekhar's invitation.

Significantly, the daily killings in Punjab have not been halted in the last few days.

White House may toughen stand against acquisitive foreigners

By Nancy Dunne in Washington

FOREIGN purchases of US companies are likely to run into increasing criticism in the new year amid growing frustration in the Bush administration with Japanese trade policies and mounting public concern that foreigners are snapping up American assets.

In its first two years, the administration stood firmly by the principle that virtually all foreign buyouts were acceptable, bringing into the country valuable capital and domestic jobs. However, in the wake of the apparent collapse of international trade negotiations and with growing congressional concern about foreign investment, officials have begun to show signs of weakening resolve.

The latest indication of administration concern centres on the just-completed $6.6bn (£3.4bn) purchase by Matsushita Electric Industrial Company of MCA, which included valuable commercial properties inside Yosemite National Park.

Fearing an outraged public backlash at the "loss" of one of the jewels of the US national park system, Mr Manuel Lujan, the interior secretary, proposed that Matsushita donate its $300m-worth of Yosemite properties to the government. MCA refused and Mr Lujan responded with anti-Japanese comments in an interview in yesterday's editions of The Washington Post.

"Happy New Year," he is quoted as saying sarcastically. "A Japanese company now owns exclusive rights to do business in Yosemite." He added that he would not buy a Japanese car or a foreign car of any sort.

"I don't think it does any good to siphon our money overseas."

He threatened to cancel national park service contracts with Yosemite Park Curry, the MCA subsidiary acquired by Matsushita, and complained about the lobbying influence of Mr Robert Strauss, former US trade representative, and former senator Howard Baker, who were hired to pave the way for the controversial deal.

Another signal from the administration came late last Friday when the US Justice Department, in a surprise move, announced it would seek to block in court the pending acquisition by Nippon Sanso of Semi-Gas Systems, a California-based division of the Hercules Group.

The purchase had already been given the go-ahead by the Treasury-led committee on foreign investment in the US (Cfius), an interagency committee made up of representatives of eight government agencies, including the Justice Department. Its task is to examine acquisitions with national security implications.

After Cfius gave its approval to the deal, the Justice Department initiated its own investigation after receiving complaints and concluded that the purchase could "substantially lessen competition in the production and sale of gas cabinets in the US".

Mr Brad Larschan, general counsel of the Association of International Investment, said the Justice Department's decision "may signal administration displeasure with Japan in the bilateral relationship, the persistent trade imbalance and perception of trade unfairness."

Mr Larschan said Nippon-Sanso currently had only 2 to 3 per cent of the US market while Semi-Gas controlled 38 per cent, which would bring total market share to 40 per cent.

"This would suggest that the Justice Department believes a 2 to 3 per cent market share increase would 'substantially lessen competition'."

He predicted that the issue of foreign investment in the US would become increasingly acrimonious when Congress returns this week.

Valuation row could mar Comecon talks

By Christopher Bobinski in Warsaw

A ROW over valuing Comecon's multi-storey headquarters and other facilities in Moscow could mar talks on transforming the once Soviet-dominated eastern European trading organisation.

A Soviet valuation of the Comecon building, originally paid for by members, is considered derisory by most of the signatories. They are determined to have a realistic price put on the organisation's assets.

A meeting of Comecon's executive committee, due to start in Moscow tomorrow, is to discuss a draft statute for a successor organisation tentatively called the Organisation for Economic Co-operation. It will also fix a date for a prime ministers' meeting, which would accept the changes.

Mr Andrzej Lubbe, who is to lead the Polish delegation, says the new organisation would perform a "consultative and advisory function" for member countries but would have no power to co-ordinate policy.

This suits the Poles but Mr Lubbe warned that, should the present centralising trend in the Kremlin mean that the Soviets will want to give the new organisation greater powers over member countries, then "we are not interested".

Membership of the new organisation will be restricted to European states, as well as Mongolia, Cuba and Vietnam, which are present Comecon participants.

Finland and Yugoslavia are envisaged as having a Soviet status, the Hungarians have spoken of inviting Austria to be an associate and Germany has expressed an interest in being involved.

The draft statute, which has been agreed by experts from member countries, drops all mention of socialism, commits the new organisation's members to "market principles" and integration with the world economy.

The work of myriad Comecon committees, which sought in the past to co-ordinate policy in fields such as engineering or telecommunications, has been suspended.

The only formal structure foreseen by the new statute is a meeting of "representatives of member governments" to be called whenever necessary.

A secretariat would remain, on a smaller scale than the present Comecon bureaucracy.

This means that no more than a third of the present office space used by Comecon in Moscow will be needed. The question then arises of who will own and use the rest.

Brotherhood takes Jordan cabinet posts

By Lamis Andoni in Amman

MR Mudar Badran, Jordan's prime minister, yesterday announced a cabinet reshuffle in which members of the influential Moslem Brotherhood have been appointed to head five ministries.

The government has had to make big concessions to the Brotherhood, which dominates parliament, to avert splits as Jordan comes under increasing political and economic pressures due to its refusal to join the US-led alliance against Baghdad.

At the same time, Mr Taher Al Masri, a Jordanian of Palestinian origin who advocates close ties with the Palestine Liberation Organisation, was appointed foreign minister. This is an indication that King Hussein is trying to consolidate his home front and pursue an policy independent of Washington in the Gulf crisis.

Members of the Brotherhood have been given the ministries of social development, health, education, religious affairs and justice.

Over the last year, the Brotherhood has asserted growing influence while its leftist and secular rivals have failed to unite.

A national charter, approved by King Hussein earlier this week, will allow legalisation of political parties, officially ending the semi monopoly of the Brotherhood – which was the only political movement tolerated by the government – to counter the radicals. But for the time being, according to analysts, King Hussein finds himself even more dependent on the Brotherhood.

Commission seeks new definition of Quebec's relationship

Robert Gibbens on a noisy debate among Francophones over the status of their province 'inside or beside' Canada

THE FRENCH-speaking Canadian province of Quebec is going through a noisy post-Meech Lake constitutional debate as a special parliamentary commission gets into stride.

But despite heavy nationalist rhetoric, the first two weeks of the debate indicate that most Francophone Quebecers favour a middle road somewhere between the status quo and independence.

Premier Robert Bourassa set up the 36-member Bélanger-Campeau Commission to study Quebec's future relationship with Canada after the Meech Lake Accord was blocked in June. It will make its report by March 28 1991.

Mr Bourassa, a federalist with a keen ear for consensus, crafted it carefully to respond to Francophone Quebecers' strong emotions following the failure of Meech. Most believed Quebec could sign the 1982 Canadian constitution and win recognition as a distinct "society" and increase its autonomy.

Co-chairmen are Mr Michel Bélanger, former senior federal and provincial civil servant and bank chairman, a federalist, and Mr Jean Campeau, former Quebec senior civil servant and head of the Caisse de Depot, a C$40bn ($34.4bn) agency investing Quebec's public sector pension fund, and a nationalist.

The members represent all federal and Quebec political parties, business and labour, education and the arts. Native groups are not represented because terms could not be agreed. The commission's mandate from the National Assembly is to study Quebec's political and constitutional status.

"Failure of Meech left Quebec in an impasse," the co-chairmen said.

"Quebec tried in vain to convince its partners in Confederation of the legitimacy of its minimal conditions for adhering with dignity to the Constitutional Act, 1982. The resulting stalemate is a source of instability."

Mr Bourassa: responding to Quebecers' emotions

The Commission seeks a new definition of the relationship between Quebec and Canada and of Quebec's place "inside or beside Canada."

This was a clear message to Francophones making up 80 per cent of Quebec's 6.5m population. Most hitherto have regarded themselves as part of Canada's two founding peoples.

The opposition Parti Quebecois and nationalists of every hue seized the opportunity, trying to dominate the hearing. Hundreds of intervenors, in person or by briefs, have had their day.

The hearings continue throughout the province for another month, and are broadcast live on cable-TV.

Those advocating "sovereignty" or a separate Quebec claim that Canada "does not work" and Quebec should hold a referendum on separation now.

Some business groups such as the provincial Chamber of Commerce and the C$45bn Desjardins credit union group have backed "sovereignty" and even a separate currency.

A few voices, including the Patronat and the Montreal Board of Trade, pointed to the gains. If Confederation had not worked, Quebec could not have developed one of the strongest provincial economies, reached high living standards and kept Montreal as Canada's second largest city, a big business and manufacturing centre and predominantly French-speaking.

Quebec has lived through the 1970 October Crisis, eight years of Parti Quebecois rule, rigid French language legislation and the 1980 referendum battle.

It voted massively for prime minster Brian Mulroney and the Conservatives in 1984 and brought Mr Bourassa and his Quebec Liberals back from oblivion in 1985 with a record majority to improve the economy and reach a political settlement with Ottawa.

In Quebec, the PQ now leads in the polls and uncertainty has grown with Mr Bourassa's bout with cancer. But the PQ is divided within. The issue is whether a return to power should trigger an immediate declaration of "sovereignty" or a referendum first.

At the federal level, the Bloc Quebecois, a breakaway group of Quebec MPs favouring separation, have made a strong initial impact. If the polls are right, it could wipe out the Conservatives' big majority in Quebec.

Is the Bélanger-Campeau Commission having any real impact? In Quebec it is helping to clarify the basic issue. But the rest of Canada, excluding Ottawa, is mostly indifferent.

But if Quebecers do want a new relationship with Canada, inside or beside, how will it be defined and negotiated? The debate has failed to shed real light on this aspect.

Quebec and Ontario are now caught in the worst recession since 1982, and the constitutional quarrel may not get top priority.

But pressures will intensify with the electoral timetable. A federal election is due late in 1992 and a Quebec election in late 1993.

Mr Campeau: a leader of the 36-member Commission

The Mulroney-Bourassa axis died with Meech and the new Federal-Liberal leader Mr Jean Chretien is highly unpopular in Quebec.

The ball will be in the Federal court once Belanger-Campeau reports next March.

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THE MIDDLE EAST

Mubarak voices deepening regional fears over war

By Tony Walker in Cairo

WHEN President Hosni Mubarak warned in his New Year message of the Middle East descending into a "merciless hell", it struck many observers as an uncharacteristically shrill pronouncement from the dour Egyptian ruler.

But his advisers say the wording exactly reflects deepening concern in the presidency that the region is sliding towards war, and that unless the risks are put as starkly as possible there is a danger that the "logic of war" will take over and that it will be too late to avert catastrophe.

Mr Mubarak is a relatively recent convert to the view that war would be disastrous for the region. In the early days he made little secret of his desire to see Iraq dealt with by military means, and the sooner the better.

But as the crisis has dragged on he, like many others, has been persuaded of the risks of a regional conflagration. And lurking in the background is always the fear that Israel may somehow become involved, with potentially disastrous consequences for pro-western Arabs.

However, despite Mr Mubarak's spirited intervention there is no sign yet of Baghdad heeding calls for compromise. Scarcely a day passes without a senior Iraqi official re-stating his country's determination to retain Kuwait in perpetuity.

Equally, Iraq's propaganda has been taking on an even more florid hue as time runs out on the UN-imposed January 15 deadline for Iraqi forces to leave Kuwait. Baghdad seems to be at pains to avoid any hint that it might be willing to compromise.

These are sombre moments in the Gulf crisis, as the clock ticks towards the UN ultimatum with no sign of progress in various mediation efforts. The faltering peace mission of the Algerian President Chadli Bendjedid seems to have led nowhere.

Baghdad and Washington remain deadlocked over dates for a meeting between President Saddam Hussein of Iraq and Mr James Baker, US secretary of state. Efforts by individual envoys, many from the east bloc, who have paraded through Baghdad appear to have run into the sand.

Attempts to promote an "Arab solution" by Arab leaders such as King Hussein of Jordan, King Hassan of Morocco and Yassir Arafat of the Palestine Liberation Organisation have come to nothing.

But perhaps surprisingly while the outlook is bleak, the mood in Middle East capitals is not yet despairing.

In Cairo, the former powerful defence minister, Field Marshal Abdel Halim Abu Ghazala, said at the weekend that he expected Iraq to withdraw from Kuwait at the "last minute". But he added he also believed President Saddam would hang on to the Romanlia oil field on Kuwait's northern border, and the Warba and Bubyan islands at the head of the Gulf "for bargaining".

Mr Ghazala's assessment reflected views of other Arab observers who expect that mediation efforts will intensify in the next 10 days in a last gasp to avoid a war.

The former Egyptian defence minister, who got to know President Saddam well during the era of close military co-operation between Egypt and Iraq that coincided with the Gulf war, said Arab strategists were worried about the destruction of the Iraqi military "since this will affect the balance of power in the area, especially that Iran is the big gainer... and has started buying more weapons".

Regional optimists – and their numbers are dwindling – believe Mr Saddam will cut his losses at the last minute and beat a tactical retreat, as he has done more than once in a turbulent career.

But, equally, feelings of hope are being tempered by fears that the region is slithering towards war, as was the case in the 1967 conflict with Israel that ended disastrously for the Arabs.

Palestinians shot on anniversary of first Fatah infiltration

By Judy Maltz in Jerusalem

ISRAELI troops killed four Palestinians in the occupied West Bank and Gaza Strip yesterday on the 26th anniversary of the first Fatah guerrilla group operation against Israel.

A curfew had been placed on 1m Palestinians in the West Bank and Gaza in anticipation of disturbances. Checkpoints were set up throughout the occupied territories and all residents were barred from entering Israel.

Mr Guido de Marco, UN General Assembly president, today begins a visit to the occupied territories, where he will meet Palestinian refugees. The visit is in response to the October 8 killings of 18 Palestinians on the Temple Mount by Israeli police.

The Israeli army has been bolstering its forces in the West Bank and Gaza Strip over the past few days, fearing an outbreak of violence on Fatah Day.

On January 1, 1965, Fatah infiltrators from Jordan placed a bomb on an Israeli canal, but it was discovered before it exploded. The anniversary of this date has generally been marked by Palestinian rioting and violence.

A police chief said yesterday his forces were on alert against the threat of guerrilla actions on the anniversary date.

On Monday, a Palestinian woman from Bethlehem blew herself up with a bomb she had been preparing in Jerusalem's Jewish market-place. Police said she had intended to plant the bomb in a fruit and vegetable basket in the midst of the crowded market.

Mr Roni Milo, police minister, warned yesterday that Palestinian guerrillas who undertook such attacks would receive the death penalty.

"Our position is that terrorists who come to harm our innocent citizens, to kill and murder us, must know that if they don't blow themselves up with the bomb, we will see to it that in any event they won't come out alive."

On Saturday, Israel troops shot dead four Palestinians in Gaza, in a day of widespread clashes. The army clamped a curfew on most of Gaza the following day to prevent further violence.

Nato to consider Turkish call for air cover

By David Marsh in Bonn

NATO ambassadors meet in Brussels today to consider Turkey's request for alliance air support to guard the country's south-east against potential aggression from Iraq.

Turkey has requested deployment of the air component of the Allied Mobile Force (AMF), consisting of three squadrons of fighters from Germany, Belgium and Italy.

Officials in Bonn say Nato believes deployment of roughly 50 aircraft from the three countries would be a political signal to underline solidarity with Turkey as the military build-up in the Gulf continues.

Turkey said at the weekend it would not use the Nato force to launch an attack against Iraq.

Mr Hans-Dietrich Genscher, Germany's foreign minister, is taking a deliberately cautious line over the Turkish request. This reflects Bonn's reluctance to be drawn directly into any military confrontation over the Iraqi invasion of Kuwait.

None the less, Germany is unlikely to obstruct Turkey's call for reinforcements. Mr Helmut Kohl, the Chancellor, has repeatedly emphasised Germany's wish to stand up and be counted alongside the US over the Gulf crisis.

Despite strong German public opinion that the country's involvement in a Gulf war would be undesirable, the German air force sent eight officers to Turkey last week to explore the technical details of deploying German aircraft.

Defence Ministry officials in Bonn said yesterday the German component of the AMF comprised 18 ageing Alpha-jet fighters. Personnel for the squadron, including ground back-up, would total between 200 and 300 men, accompanied by an air force transporter aircraft.

Both the German air force and the land-based army have trained in Turkey as part of close bilateral military co-operation.

There is speculation in Bonn that the Nato ambassadors could accede to the Turkish request for deployment as a purely political gesture, but would stop short of making the committed aircraft operational.

A further Nato decision would thus be needed before the squadrons could be sent into action.

The Social Democrat opposition in Bonn, meanwhile, said that Germany's constitution and the Nato treaty required parliamentary approval before German forces could be sent into action.

A young exile raises the Kuwaiti flag and gives a victory sign to almost 2,000 of her countrymen who had gathered at the Giza pyramids in Cairo to mark the new year.

Iran awarded FFr940m in uranium contract dispute

IRAN has been awarded a FFr940m (£96m) court judgment against France by a Geneva tribunal, in the long-running dispute between the two countries over a uranium-enrichment contract dating back to the 1970s, writes Ian Davidson in Paris.

However, the award handed down by the arbitration tribunal of the International Chamber of Commerce in Geneva covers only a small part of the disputed sums of money involved in the contract, which had been concluded by the Shah of Iran and repudiated after his overthrow by the new regime of Ayatollah Khomeini.

Since September 1989 the two governments have professed their shared desire to restore good relations and settle the disagreement by negotiation, but recent talks have failed to make progress.

The dispute settled by the Geneva judgment concerns a loan made by the government of the Shah in 1977 as advance financing for the supply of enriched uranium by Eurodif, which operates the uranium enrichment facility at Tricastin.

The other outstanding dispute concerns the much larger loan of $1bn (£500m) from the Iranian government to the French Atomic Energy Commissariat (CEA), in connection with contracts for the construction of nuclear power plants.

The French government has already repaid $630m of this loan, but the two sides continue to disagree over calculations of capital and interest, and therefore over the total amount remaining to be paid.

Gulf crisis forces Saudi Arabia to delay budget

By Mark Nicholson

SAUDI ARABIA has delayed the announcement of its 1991 budget, usually unveiled after a New Year's Eve cabinet meeting, due to the cost of the Gulf crisis and uncertainty over world oil markets.

The official Saudi press agency reported that the cabinet decided to extend last year's budget for as long as necessary to cope with the present crisis.

The agency's statement said the government could not forecast oil incomes in 1991 because of difficulties in estimating both Saudi production levels and world prices.

Saudi Arabia is the world's largest oil exporter, depending on the commodity for 60 per cent of its revenues.

The statement also said the kingdom had spent more than it had earned from higher oil revenues and production during 1990.

"The Iraqi invasion of Kuwait and its threat to Saudi territory led to the concentration of financial resources to face this emergency situation by strengthening our military capabilities, supporting public services and additional expenditure on brotherly and friendly forces," it said.

Gulf economists say Saudi Arabia has raised oil production to an average of 7.59m b/d since the crisis, from 5.78m b/d in the first seven months of 1990, to help offset a shortfall of 4m b/d in world supplies caused by the UN embargo against Iraqi and Kuwaiti crude.

Gulf International Bank estimates Saudi Arabia's oil earnings to have risen by 63 per cent in 1990 to $41.3bn (£21.3bn) – a $16bn fillip to revenues, which the government had budgeted at $31.5bn.

However, the Saudi finance ministry says the costs of supporting the multinational forces ranged against Iraq and of aiding nations affected by the UN embargo will cost $21bn. Moreover, a large portion of the increased Saudi oil production is being offered at concessionary rates to allied countries, or free to the multinational forces.

Somali guerrillas claim president trapped in capital

SOMALI rebels battling to oust President Mohamed Siad Barre said yesterday the president was trapped in an underground military bunker while heavy fighting raged around him, Reuter reports from Nairobi.

Regular communications with Mogadishu, the capital, have been cut and it is unclear how much of the city is in the hands of the rebels.

A United Nations aircraft flew 10 UN aid workers from Mogadishu to safety in Nairobi yesterday and another UN aircraft will try to fly out 10 more UN workers today.

Italy is sending air force transport aircraft to Nairobi, where they will await a truce before flying on to Mogadishu to pick up Italians and other foreigners.

The United Somali Congress (USC), one of the main rebel groups, said in a statement from its London office: "Siad Barre cannot escape under any circumstances.

"All of Mogadishu, with the exception of the former home of General Siad Barre in the former military airport known as Aviazione, is in the hands of the USC."

The statement said Mr Siad Barre, who has ruled for 21 years, was in a reinforced military bunker, defended by tanks and artillery manned by loyal troops.

The USC controlled the area around the bunker in the south of the city, including the civilian airport, the adjacent Halane military camp and the main streets leading into Mogadishu, it said.

But Mr Ahmed Mohamed Aden Qaybeh, foreign minister, who is out of the country on a trip to Qatar, denied in an interview with the BBC that the rebels controlled most of the embattled city. Despite the rebel claims, the state-run Radio Mogadishu continued broadcasting.

Fierce fighting erupted in Mogadishu over the weekend as rebels, who already controlled much of the Somali hinterland before they began infiltrating the capital last month, stepped up their battle.

On Monday the USC said they controlled most of the capital and that Mr Siad Barre, who has ruled the impoverished country on the Horn of Africa with a strong hand since taking power in a 1969 coup, was about to flee the country.

Rebels began their military campaign against Mr Siad Barre in 1988 and by 1990 there were five rebel groups against him.

The leading groups – the USC, the Somali National Movement and the Somali Patriotic Movement – have said since August they will co-operate to overthrow the president, rejecting his efforts to modify one-party rule.

Under a constitution announced in October, Mr Siad Barre stepped down as secretary-general of the ruling Somali Revolutionary Socialist party and said he was dismantling the feared security apparatus.

The new constitution theoretically guarantees press freedom, human rights and free expression and promises social stability.

Egypt and Italy – the former colonial power in Somalia – have tried unsuccessfully to mediate in the conflict and have renewed offers this week to broker peace between the president and his opponents.

China's leadership sticks with socialist orthodoxy

Ruling élite distances itself from reforms of two years ago but reveals little detail. **Peter Ellingsen** reports

CHINA will stick with orthodox socialism and play down the role of economic reform, a meeting of the country's top leaders has decided.

The long-awaited seventh plenum of the Communist Party's ruling élite ended on Sunday night with a strong endorsement of conservative policies, and a rebuff to progressives.

The meeting – delayed for several months because of bitter divisions between central authorities and the more liberal provinces – was a victory for hardliners. In a language reminiscent of the doctrinaire 1970s, the party's central committee distanced itself from the reforms of two years ago, and outlined a five-year plan and a 10-year economic blueprint that emphasises socialist ideology.

Asserting that socialism would make China "strong" and its people "rich", the meeting turned its back on eastern European style reforms, claiming that under the continued dominance of the party, "China will withstand every kind of storm and score even more brilliant achievements".

Socialism had been "improved", the leaders said, adding they would move the country into a second, "pivotal" stage, "modernisation", in which social and economic aims would be reached by "adhering to the socialist road".

Painting an optimistic picture of progress, the meeting said China's 1980 gross national product would be quadrupled by the end of the century, allowing people to go "from just having enough to eat and wear to a state of leading a fairly comfortable life".

There would be "ampler means of subsistence, significantly improved dwellings, more colourful cultural life and improved health and social services". Leaders talked of better education and made clear their determination to resist calls for a radical overhaul of the economy by outlining an "economic structure" which "suits the growth of the socialist planned economy, based on public ownership".

Analysts said the plenum's decisions were more hardline than expected, and did not contain much detail on actual policies. "It is tougher than we anticipated and its does not reflect the economic debate that has recently been going on," one source said.

"It seems they have not yet got a plan in detail, only a draft position, and there is still a lot of thrashing out to be done before the five-year plan is completed. I expect the meeting's broad outline will be subject to further haggling before it goes to the National Peoples' Congress in March."

A statement issued after the meeting side-stepped the controversial issue of how much autonomy should be given to provinces, most of which favour a more radical pace of economic reform than the centre.

"It is necessary to handle properly the relations between the central and local authorities", the plenum said, leaving it up to a commentary in the official China Daily to make clear the dilemma.

"The irrational division of revenues between the central and local authorities. . . remains unresolved as the new year begins," the paper stated, adding that, "the correction of such an irrational division" would help reduce the budget deficit, estimated to be much more than the projected $2bn.

While the plenum has not settled detailed questions of policy, it has given an outline that will be binding on government departments and provinces. Leaders, as expected decided to give priority to agriculture, which was last year's success story, industry infrastructure, and defence.

"Along with economic development, the modernisation of national defence should be stepped up," the meeting said. Leaders said they would "push forward" economic reform and the open door policy but, while mentioning in passing price deregulation, details were not supplied. Similarly, there was talk of revitalising China's state-run enterprises, with reforms in banking, tax, investment and wages, but no hard initiatives to suggest embracing market-place measures.

"The positive things in the economy have come from reform, but now, with Zhao (Ziyang, sacked party chief), out of the way, there is no will to go on in this direction," one diplomat said.

"It is a return to old ideas and language – self reliance, class struggle – and little else. Politically, it's still unstable, with reform's economic gains under Zhao subsumed under primary stage socialism."

China executed 39 criminals after a mass rally in a sports stadium in the central city of Xian last week, Reuter reports from Peking. The official Shaanxi Province Daily, which reached Peking yesterday, said their crimes included murder, robbery and rape. China has reported several hundred executions since the authorities launched what is officially known as a "serious smashing" of crime last May. Amnesty International, the London-based human rights organisation, has said the crackdown is the harshest since 1983 when an estimated 10,000 people were executed.

Japan must offer economic and technical know-how to help establish a new world order, Prime Minister Toshiki Kaifu said in a New Year's message, Kyodo reports from Tokyo. He said that in trips to Europe, Asia and the Middle East last year, he had come to realise that the world had high expectations of Japan.

"As we stand at the brink of the 21st century, the world and Japan face a historic turning point at which we will determine our destinies," Mr Kaifu said.

"Our impact in the global community is larger than we think," he said. "Japan must actively participate in establishing the new international order."

Mr Kaifu said he would continue efforts to boost international peace and prosperity. He singled out President Mikhail Gorbachev's scheduled visit to Japan next April, declaring: "In Japan-Soviet relations, the resolution of the territorial issue and establishment of a peace treaty is important."

"I plan to appeal for a decision when Mr Gorbachev comes for the planned April visit," he said. Japan has said that it cannot conclude a peace treaty until Moscow ends its post-war occupation of four small islands off Hokkaido.

Mr Kaifu said strengthening the "global partnership" with the US would also help to create a new world order.

President George Bush is set to visit Japan before Mr Gorbachev's trip, but no date has been set.

● Japanese crowded shrines yesterday to pray for a year of good luck. Worshippers sheltering under umbrellas (pictured above) waited their turn to go under a rope held by security men, controlling access to an inner shrine at Kamakura.

NEWS IN BRIEF

C Itoh to join Exxon in Sakhalin oil search

C Itoh and Exxon Corp have agreed to conduct a joint feasibility study on the development of oil and gas resources on the Soviet Far East island of Sakhalin, a Tokyo business daily reported yesterday, Reuter reports from Tokyo.

The two companies recently reached a basic agreement to conduct a joint development study, said the Nihon Keizai Shimbun daily, Japan's largest business daily.

The plan will be formally proposed to the Soviet government during a Soviet-Japan economic meeting scheduled in Tokyo for late January, it said.

China shifts oil from north-west

China began shipping crude oil yesterday by railway from the Tarim Basin, a north-western area believed to hold some of the world's largest untapped reserves, AP writes from Peking. The official Xinhua News Agency reported that 1,800 tons of crude oil from the basin in the remote Xinjiang Uygur Autonomous Region was being shipped to refineries by railway.

Oil industry experts have said large-scale commercial projects in the north-west would require construction of a 2,240-mile pipeline costing up to $8bn. Some 70 to 80 per cent of China's current oil output comes from ageing oil fields in the north-east where production is starting to decline.

Pakistan alcohol dismissal urged

Ms Benazir Bhutto, Pakistan's opposition leader, called for the dismissal of Jam Sadiq Ali, the chief minister of Sind province, after he admitted drinking alcohol in violation of the country's Islamic laws, Reuter reports from Islamabad.

Other opposition deputies said during a brief debate in the National Assembly on Tuesday that Mr Ali, a bitter opponent of Ms Bhutto, should be flogged in accordance with *Sharia* laws.

One newspaper quoted Mr Ali saying: "I don't care a fig for any law. Allah is merciful and He would have mercy on me. I have a lot of pressure of work."

"I drink, but remain in my senses all the time," he told the newspaper.

Sri Lanka truce tested

Sri Lankan government troops have been ordered to stop all offensives against Tamil rebels to test the guerrillas' offer of a new year's truce, military officials said yesterday, agencies report from Colombo.

No trouble has been reported since midnight on Monday when the Tamil Tigers had said they would start an unconditional and indefinite ceasefire in their seven-year-old separatist war.

Zaire invites UN observers

President Mobutu Sese Seko of Zaire has invited the United Nations Human Rights Commission to the trial of officials held responsible for violence last May at Lubumbashi University, the state news agency Azap said yesterday, Reuter reports from Brussels.

"Zaire has nothing to hide," Mr Mobutu said according to Azap, monitored by the Belgian news agency Belga.

A parliamentary commission last week said only one student was killed in violence on the campus at Lubumbashi, the Shaba capital, on the night of May 11. Opposition groups claim up to 150 students were killed by élite troops flown in from Kinshasa.

Ershad party to enter elections

The political parly founded by Gen Hossain Mohammad Ershad, Bangladesh's ousted president, said yesterday it was preparing to contest parliamentary elections due on February 27, Reuter reports from Dhaka. The Jatiya party said in a statement the decision was taken at a meeting chaired by Mizanur Rahman Chowdhury on the fifth anniversary of the founding of the party. Mr Chowdhury, a former prime minister, is acting as party chairman for Gen Ershad who resigned on December 6 following a violent campaign by opposition parties and students.

Tokyo calls require extra digit

Telephone calls to seven-digit numbers in Tokyo now require an extra 3 to be dialled, as from yesterday, January 1. International calls which began with the country and area code 813 should now begin with 8133.

Babangida offers modest boost to a shaky economy

William Keeling on the budget in the run-up to civilian rule

NIGERIA'S 1991 budget bears the hallmarks of one of Africa's most adroit political leaders, offering the prospect of a modest boost to the economy in a year that will be critical to the planned transition to civilian rule in 1992.

Since winning office in a coup some five years ago, President Ibrahim Babangida has pursued an economic and political balancing act, implementing radical economic reforms while at the same time setting in train a process which culminates in presidential elections in October next year.

Expected cuts in interest

Babangida: balancing act

rates, an increase in foreign exchange available for imports, and a doubling of the minimum wage should in theory ease the plight of Nigerians who have seen a steady fall in their real income and a sharp drop in employment since the start of the 1980s.

But observers here wonder whether this will be enough to cushion the impact of two setbacks to government's economic and political prospects.

The first is President Babangida's warning that Nigeria faces food supply problems during the first half of this year. "Drought decimated some crops and livestock in some states. This would likely put pressures on domestic food supplies in the first half of 1991," he said in the budget speech.

The second is the poor turnout at last December's local government polls, the first step in the transition to civilian rule. In many parts of the country less than 15 per cent of the voters turned out, reflecting widespread scepticism about the transition – in particular, that the two parties allowed to participate are both creations of the government.

This combination of food shortages and political disillusion could make 1991 the president's most testing year. Presumably his advisers had this in mind when drawing up the budget.

Its two most critical steps are the decision to impose an interest rate regime on the banking sector in order to bring down the cost of borrowing, and the 26 per cent increase in the funding of the central bank's foreign exchange auction to $5.4bn in 1991, as a means of stimulating the private sector.

It was not the intention of government to "return to a regime of rigid interest rate control", said the president, but under new central bank guidelines bank lending rates are expected to "decline to an average of 20-21 per cent". Commercial interest rates hovered around 30 per cent throughout last year.

But hopes of an oil bonanza – oil accounts for over 90 per cent of export earnings – were dampened by the president, who warned against the "erroneous impression that. . . a large reservoir of financial windfall has accrued" as a result of higher oil earnings.

Although foreign exchange reserves more than doubled last year to over $3bn, the president said that the economy remained hampered by "seemingly intractable large fiscal deficits by government" and the "inability of non-oil exports to generate significant foreign exchange".

Revenue projections for oil in 1991 have discounted the effect of the Gulf crisis and have been calculated using the production quota and benchmark dollar price of $21 previously agreed by Opec countries.

But the government has highlighted projects which will benefit from any additional revenue accrued. These include the steel sector – at the heart of which is the multi-billion dollar Ajaokuta steel plant – and the continuing construction of a new federal capital at Abuja.

The rate of inflation for 1991 is projected to be no higher than 8 per cent. Inflation is currently around 15 per cent, down significantly from a high of over 50 per cent in 1989. But placing upward pressure on inflation are the prospect of restricted food supplies and the acceptance by the government to a doubling of the minimum wage to $28 a month.

The coming months will see two key tests for the government: can it reach a new agreement with the International Monetary Fund, essential for further rescheduling of Nigeria's $34bn external debt? And will the next round of elections – at state level – get a more enthusiastic response. Unless the answer is yes to both questions, President Babangida may be hard-pressed to keep up his balancing act.

Horoscopes, blood pressure tests and a bank called Tomato

Small banks in Japan tout for business

By Emiko Terazono in Tokyo

IMAGINE walking into your friendly bank on a Saturday afternoon and finding a flamboyantly dressed woman behind the counter reading customers' horoscopes.

In Japan, it can happen. Last July, Kansai Shinkin Bank began hiring an astrologist on alternate Saturdays in one of its branches.

The bank had already shown itself as something of an innovator by installing a self-serve blood pressure testing device in the branch because many of its customers were elderly.

These unusual moves are all part of a fierce battle going on among banks in Japan to attract retail customers. The rapid pace of deregulation of deposit interest rates in the past couple of years has forced financial institutions to compete more vigorously for personal savings, and a variety of new instruments have appeared.

This may be good for the customer, but it is especially hard on the smaller regional and *shinkin* (credit) association banks which do not have the means to keep up with the deals offered by the city banks and other large financial institutions.

Thus, they must use their wits. Kansai Shinkin's resort to an astrologist may seem a bit extreme, but Mr Shigehide Torii, customer service manager at the branch, says it was designed to appeal to young women, a group which has lots of money but not much idea of what to do with it.

It caught on immediately, so much so that reservations for a free 15-minute consultation must be made two weeks in advance. Mr Torii says that registrations for "Windy", a newly designed credit and cash dispenser card aimed to appeal to women, have increased since astrology began.

Kansai Shinkin is not the first bank in Japan to draw attention to itself through unusual marketing practices. Last year, Sanyo Sogo Bank in Okayama startled many by changing its name to Tomato Bank when it converted from a mutual savings and loan bank to a second-tier regional bank.

However, deposits surged 26.3 per cent to Y588.3bn (£2.3bn) in the year ending March 30 this year, while the number of depositors increased by 107,000, four times the previous rate of growth.

A Tomato Bank official says that the new name reflected the bank's new retail orientation. The bank has even changed its original plan to open a branch in Tokyo dedicated to wholesale business, and has opened a retail branch there instead. "We decided to stick to individual customers after a flood of telephone inquiries about the Tokyo branch," the official said.

Tokyo 'softens stand' in row with Moscow

JAPAN will soften its conditions for normalising ties with Moscow, agreeing to the initial return of only two of the four islands seized by Soviet troops at the end of the Second World War, according to the Yomiuri Shimbun newspaper yesterday, Reuter reports from Tokyo.

Japan, which had insisted all four islands be returned together, will modify its demands to ease negotiations on a peace treaty and to prepare for Soviet President Mikhail Gorbachev's visit to Tokyo in April, the report said.

In return for a compromise on the territorial dispute, Japan will offer the Soviet Union badly needed economic aid, it added.

A foreign ministry official claimed there had been no change in policy on the territorial dispute.

Moscow says the wartime Yalta agreement gave it control of all the Kurile islands in the north Pacific. Japan maintains the disputed islands are not part of the Kurile chain.

Algerians flex their democratic muscles

Francis Ghilès on how the language question is again dividing political forces

LAST Thursday saw the largest demonstration in Algiers since the bloody riots of October 1988 brought more than 100,000 people on to the streets.

Led by Mr Hocine Ait Ahmed, one of the heroes of Algeria's war of independence and chairman of the country's most influential secular party, the Front des Forces Socialistes (FFS), protesters chanted "No to rampant fascism", and "No to Arabisation".

They were protesting at the passing the previous day of a law making Arabic obligatory in all official documents and meetings. The language question has become, not for the first time, the battleground on which the different political forces line up.

Algeria's troubled history helps to explain why the issues are so complex.

At independence in 1962, 90 per cent of Algerians were illiterate. In an effort to help their countrymen regain their culture, President Ahmed Ben Bella and his successor, Colonel Houari Boumedienne sought to "Arabise" education.

By the mid-1980s they had achieved their goal but at a price.

The standard of Arabic learned by young Algerians is often rudimentary; teachers were recruited from Syria and Egypt, and they teach a form of Middle East Arabic which has little meaning for natives of North Africa, where the Arabic tongue is traditionally mixed with Berber and French. The teachers have also turned out to have strongly fundamentalist sympathies.

Resentment at the pace of "Arabisation" was particularly keenly felt among those whose mother tongue was Berber. They saw no reason why the two languages could not coexist. Until the middle 1980s most expressions of Berber culture, the native culture of the region, were banned.

A different but equally dangerous form of resentment was fostered among those "Arabists" who attended university courses taught in Arabic. They were not given access to the top jobs in diplomacy or fast-developing industry, of which the young state was so proud. Candidates who spoke French and English, having attended universities in Europe and the US, were preferred for such jobs.

Lack of freedom, characteristic of what was then a single-party system, also played its part in fostering the idea that a return to traditional Arab and Moslem values would purge society of "perverted" western ideas.

This helps to explain the victory of the Islamic Salvation Front in last spring's municipal elections. Many observers, virtually none of whom had forecast the result of the first free elections in North Africa, were quick to warn that Algeria was ripe for an "Iranian scenario".

Since last summer they have felt vindicated by the way many new mayors have closed schools, cancelled music festivals, forced certain schools to separate male and female pupils, and banned western films from local cinemas.

Next June's general election is seen by Algerians as a key test; will history allow the fundamentalists to use a short-lived democratic break to reimpose a new form of dictatorship?

Last week's demonstration suggests the answer is far from a foregone conclusion. The extraordinary freedom of debate, which allows journalists to criticise President Chadli Bendjedid and highlight corrupt practices within his family, has resulted in a string of new newspapers, more than half of which are published in French.

Those who pride themselves on their Berber cultural heritage and those who desperately want to see a democratic and relatively secular Algeria no longer appear afraid of confronting the fundamentalists.

The victory of the latter was helped last June by the decision of the FFS not to field candidates in municipal elections and by the many who did not bother to register, often because they refused to believe the elections would be fair.

Today the Islamic Salvation Front knows it cannot deliver on its promises of jobs and housing for all, however much it may benefit from the loathing many people feel for the ruling Front de Libération National (FLN) and the decline in purchasing power which affects most Algerians.

The events of the next six months will be crucial. Will the squabbling politicians of the FLN – whose effective monopoly of power was broken in the streets two years ago – split? Will the party continue to vote through demagogic laws, such as the one on "Arabisation," in the vain hope of cutting the ground from under the feet of the fundamentalists? Will a reformist wing seek an alliance with the FFS?

The outcome of next June's general election is now more difficult to forecast than ever, but the uncertainty may be the price for more democracy.

UK NEWS

'Good public service not simply a matter of money' ■ 'Politicians should not preach' ■ 'Thrift is a Tory virtue'

Lamont says there is no question of a slump

YOU HAVE been chancellor for just over a month. What are your goals?

For the present, my overriding priority is to get inflation down, and that will remain the main object of macroeconomic policy and particularly monetary policy. But, in the longer term, economic policy must have other goals as well such as increasing the sustainable growth rate of the economy and thus improving living standards and public services.

Although you have been in the Treasury for many years – as financial secretary and chief secretary before becoming chancellor – you are something of an unknown quantity beyond Westminster and Whitehall. How would you characterise your views on economic policy?

My views are essentially "social market" which involves sound money, limited but effective government, and leaving markets free to operate elsewhere in the economy. But as Erhard [Ludwig Erhard, architect of the post-war German economic miracle] said, we ought to emphasise the "social" as well as the "market". There is no conflict between market forces as the main motor power of the economy and decent public service or the relief of poverty.

Who or what has most influenced your views on economic policy and how?

Events have played a large part in shaping my views. It was my experience in the City in the late 1960s and 1970s that brought home to me – what now seems obvious – that getting inflation down was the prerequisite for everything else and that inflation was a disease of money. Many individuals in politics have influenced me. During the 1970s the arguments of Keith Joseph made a deep impression on me. Among economists, again I have been influenced by many, but I might pick out Hayek, Friedman's Capitalism and Freedom and Samuel Brittan's Capitalism and the Permissive Society. No one interested in economic issues in this century can say they are not influenced by Keynes, who was a great man, although I do accept much of the critique of how his ideas were applied.

The recession in Britain seems much more serious than thought even a month ago. What would you advise companies and individuals to do in these difficult times?

I know that business is currently having a rough time. And as I said in the House of Commons, it is always difficult to predict precisely when the turning point will come and growth will resume. But what is clear from past experience is that we can expect growth to pick up again once we have seen a marked reduction in inflation. And it is becoming clear that inflation is now falling.

We are already well into the downturn – output has now been falling for, perhaps, six months. There is certainly no question of a slump or of the economy going into "free fall". We need a period of below-trend growth to correct the effects of the excess demand we had in 1987 and 1988. Other forecasters share the government's view that there will be an upturn in the second half of this year.

As for advice, I do not believe politicians should preach to companies or anyone else for that matter. But I do think it is legitimate to point out that the framework of policy has changed, and that now we are in the ERM firms cannot expect to be bailed out by the depreciation of sterling. So, in their own interests, companies need to control their costs. They have a better opportunity to do so today than in the past thanks to the industrial relations reforms of the last decade. More widely, companies now have greater freedom to manage their own affairs. Actually, I suspect that, as a result of the supply side improvements, the labour market may well prove more flexible over this testing period than it has been in the past. But we shall see. It will be interesting.

Haven't you entered number 11 Downing Street with your hands largely tied, given that a general election has to be fought in the next 18 months and much control over monetary policy has been transferred to the Bundesbank through British membership of the exchange rate mechanism of the European Monetary System?

Of course it is not true to say that in the ERM governments have no control over their domestic monetary policy. But membership does impose a discipline, and we have accepted that deliberately. Some people, including some who backed ERM entry, are all too ready to duck out of paying the necessary price for getting inflation down.

Your predecessor as chancellor promised that he would "not play politics with the economy". Are you prepared to accept the tough economic disciplines imposed by the ERM even though they could weaken your government's chances of winning the general election that has to be fought by the middle of 1992?

What would really destroy the Conservative party's electoral prospects would be failing to get inflation down. In any event I have always believed that steering macroeconomic policy for political ends is impractical. It is impossible to finetune the economy with such a degree of precision, and attempts to do so usually end up making things worse. And anyway it would be irresponsible to try.

Industry has been complaining that the DM2.95 central rate at which we entered the ERM is too high. Would you be sympathetic to setting the rate at a lower level, perhaps in connection with a move to the narrower 2.25 per cent fluctuation margin or a general realignment of parities in the EMS?

No.

You admitted shortly after taking office that Britain is in recession. The UK has the highest inflation rate of the Group of Seven countries. The same party has been in power for 11½ years. Does the government accept that it has badly mismanaged the economy of this country?

The success of governments in managing the economy should be judged not by short-term fluctuations but by the economy's performance over a number of years. The current downturn follows a decade in which UK output, investment and productivity has grown faster than in Germany, France and Italy – our best performance since the war. And over the last decade our inflation rate has averaged just under 8 per cent. With inflation now set to fall sharply, we can look forward again to building on that performance.

The chancellor answers questions from the Financial Times

John Major as Chancellor was much more worried about Britain's large current account deficit than Mr Lawson. Does the deficit cause you concern, given that many forecasters believe it could start to rise again in 1992 after falling in 1990 and 1991.

Certainly the growth of our current account deficit was a sign that demand was growing at an unsustainable rate and we needed to bring it down. Our manufacturing trade position has already improved. In the latest three months we had a deficit of £1.2 billion – about a third of the deficit in the corresponding period last year. And our non-oil visible trade deficit is narrowing quite rapidly.

But I believe Nigel Lawson was right to point out that with the development of international financial markets, current account imbalances are the inescapable counterpart to flows of capital, and that deficits are more likely to persist and to be financed than in the past.

Borrowing in the UK by companies and individuals has risen very sharply to record levels in recent years. Financing the debt is causing real pain in many parts of the economy and there are also fears of a credit crunch as the banks retrench. Isn't all this going to make economic recovery from the present recession all the more difficult?

Of course the main cause of the inflationary pressures we have seen was the growth of borrowing in recent years by companies and individuals, and lending by the banking sector. Adjustment is already under way but it is bound to be a painful process.

High levels of debt rather fly in the face of traditional Tory ideas of the virtue of thrift. The last budget introduced incentives to boost savings. Do you see a need for further government action to encourage savings?

Thrift is certainly a Tory virtue, although there is of course nothing wrong about borrowing per se, for example, companies borrowing to finance profitable investment. Tomorrow sees the launch of TESSAs, which were announced by John Major in his budget earlier last year and which should encourage small investors to make regular savings over longer periods. And April will see the end of composite rate tax on non-taxpayers' savings. You would not expect me to say anything further in answer to your question so close to the budget.

Tax relief on mortgage interest payments has been blamed for distorting savings and investment patterns and making management of the economy much more difficult. Are you sympathetic to the idea of scrapping or modifying such tax relief?

Encouragement of home ownership has been a major objective of this government's policy. Nearly 68 per cent of the housing stock now consists of owner-occupied dwellings; an increase of almost 4 million since 1979.

But the impact of mortgage interest relief should not be over-stated. As a result of holding the cash level of the ceiling at £30,000 and bringing down the rates of tax to 25 per cent and 40 per cent, the importance of the relief for the average house buyer has already fallen considerably over the 1980s.

What indicators do you look at when considering whether or not to change interest rates?

Interest rate decisions will continue to be taken to create domestic monetary conditions which reduce inflation. This will be within the overriding framework of the Exchange Rate Mechanism. We have accepted, and we do accept, the discipline of the Exchange Rate Mechanism.

Now that we are in the ERM isn't there a case for modifying the techniques of monetary policy. For example, why not adopt a more flexible approach to interest rate changes by having smaller, less dramatic moves in rates, much as the French do?

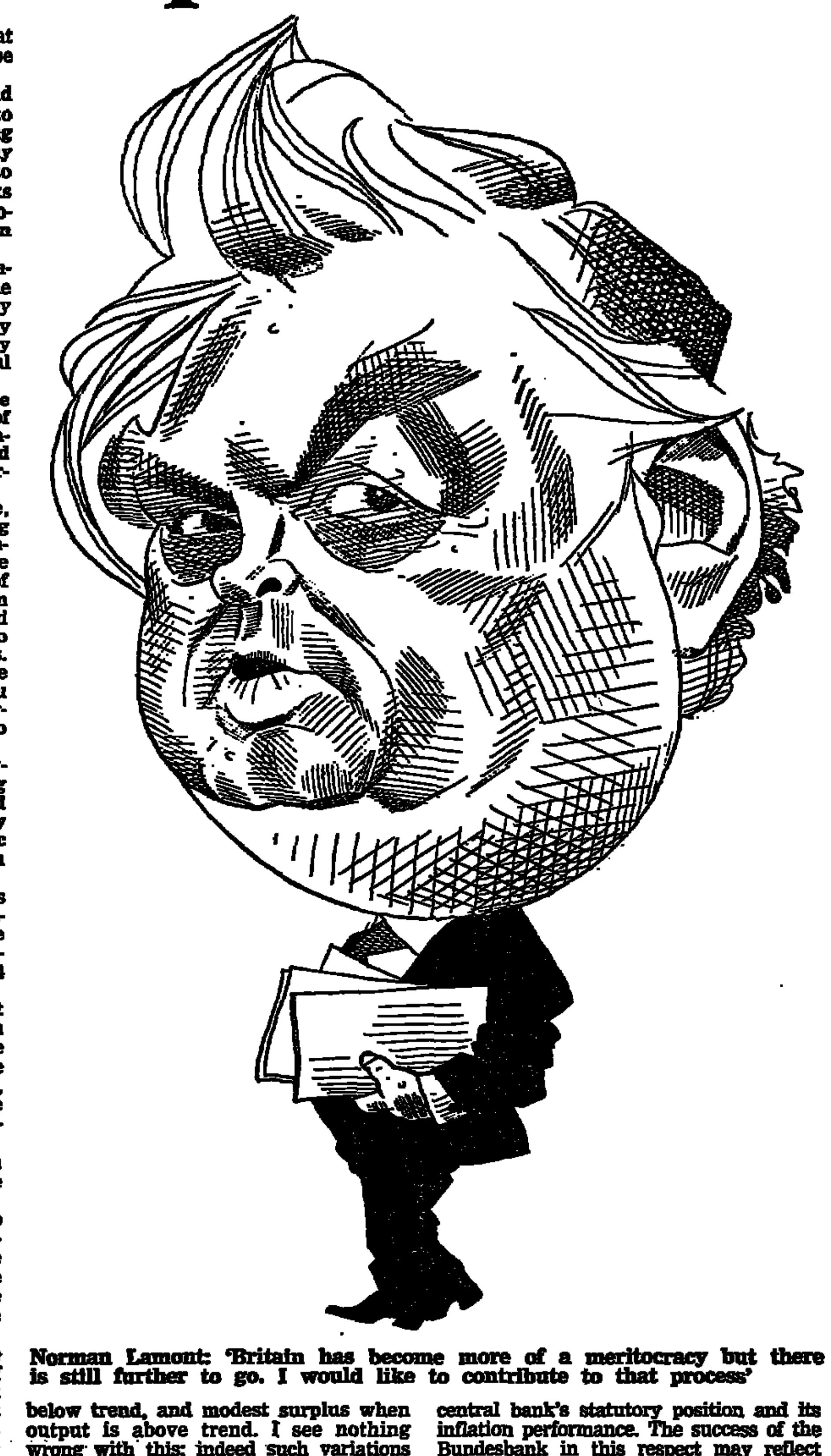
Interest rates must obviously be set at a level that is consistent with our ERM obligations. But I do not think it necessarily follows that all ERM members must adopt the same techniques of monetary policy. I think you would be astonished if I took up your invitation to speculate on the size, timing, or frequency of future interest rate changes!

Is it still the government's goal to reduce the basic rate of income tax to 20 pence in the pound? How does this rank alongside other policy goals?

Yes, of course, but only when it is prudent to do so.

How do you feel about the prospect of the government becoming a borrower again?

My objective is to balance the budget over the medium term, not in every single year. If damaging and destabilising tax changes are to be avoided, this could mean moving into modest deficit when output is below trend, and modest surplus when output is above trend. I see nothing wrong with this; indeed such variations in the budget balance have a valuable role to play in stabilising the economy.



Norman Lamont: 'Britain has become more of a meritocracy but there is still further to go. I would like to contribute to that process'

Mr Lawson, when he was Chancellor, put forward plans for an independent Bank of England. Will you?

I have no plans to do so. Both the government and the Bank are firmly committed to the overriding objective of getting inflation down. That seems to me much the most important point, and I do not see a need for a change in the Bank's status to secure this. Whatever the pros and cons of the argument about an independent central bank, it seems to me that we have already reinforced our policies with an independent discipline by joining the ERM.

But countries with independent central banks seem better able to deal with inflation?

Low inflation is achieved by pursuing a firm monetary policy, and I do not think there is any simple relationship between a central bank's statutory position and its inflation performance. The success of the Bundesbank in this respect may reflect German monetary history more than precise institutional arrangements. There are countries with independent banks which have been far less successful on inflation. And there are countries such as Japan which has a good inflation record despite having one of the least independent central banks.

You will soon be putting Britain's plans for the "hard Ecu" and the European Monetary Fund into the precise legal language that is necessary for them to be considered and possibly adopted as part of the European Community's programme for economic and monetary union. Will this be the occasion for any change in the substance of these proposals, and if so what would this entail?

Our proposals for a new common Community currency – the hard Ecu – and a new monetary institution – the European Monetary Fund – were first outlined in John Major's speech of 20 June 1990 to the German Industry Forum, and we have provided further detail in subsequent speeches and articles. What we intend to do now is to set out detailed proposals for the main legal texts designed to put the scheme into effect, in order to facilitate their early consideration at the EMU IGC. So we have been engaged in a continuous process of refining and developing our proposals. But there is no fundamental change of substance – we are still putting forward an approach, based on the hard Ecu and the EMF, which concentrates on the next practical steps, promotes convergence in an anti-inflationary way, and allows all 12 member states to move forward together.

Won't Britain have to accept at least the goal of a single European currency if it is to have any influence over the Intergovernmental Conference?

I have made it perfectly clear that, under our proposals, the hard Ecu could evolve into a single currency, if peoples and governments so chose. But it is also clear that that is not a decision we need to take now. I do not think that we are alone in the Community in the view that we need to concentrate now on the next practical steps, ones that will allow all 12 member states to move forward together. So we're looking forward to negotiating constructively with our Community partners, and – I hope – to reaching an agreement that is acceptable to everybody.

Could you still make the same speech that you made to the Bruges Group in November in which you took a strong line against an EC single currency? Or is the position now so different that you would have to make a different speech?

The speech I made was wholly in accordance with government policy, and our policy has not changed. It expressed caution and scepticism about the political developments that might grow from an imposed monetary union, rather than one that was market driven and evolutionary, which is the British position. I would certainly make the speech again but if I was making it today I would add a section to make clear that ERM membership – which is separable from the issue of EMU – is at the centre of British economic policy.

There has been much talk of "caring Conservativism" since the change of prime minister. Mr Major has himself laid great stress on the need for a better education system and is strongly opposed to shoddy public services. Will the Lamont chancellorship see general government expenditure taking a bigger slice of the nation's economic cake?

No, I have no plans to do that. I too am strongly opposed to shoddy public services. There is no reason why the public sector should be a synonym for poor service. But good quality services are perfectly compatible with the fall in the share of GDP that we have achieved in the last 11 years. Don't forget that the boundaries of the public sector have been altered in that time. And good service of course is not simply a matter of money; it can be a question of management. We should always be prepared to look at public services radically and not be intimidated by producer pressure groups.

A year ago, Mr Major told us that he wanted to be remembered for low taxes, low inflation and high investment in a Britain that gives individuals the opportunities to realise their full potential irrespective of their class, sex, colour or creed. What do you want to be remembered for?

In the short run as the Chancellor who presided over a sharp reduction in inflation followed by the resumption of growth based on enterprise. I want to see Britain's commercial greatness secure and underpinned. For the longer term, what sort of country do we want to be? I very much agree with John Major's remarks about a society in which there is greater opportunity for everyone to use their abilities to the full. Britain has become more of a meritocracy but there is still further to go. I would like to contribute to that process.

Comet writ against BSkyB claims £10m merger losses

By Raymond Snoddy

COMET, the electrical retail arm of Kingfisher, has issued a High Court writ against BSkyB, the satellite TV venture, claiming £10m damages.

The writ arises from losses which Comet claims that it has suffered from the sudden merger in November of British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television. Comet's claim covers "redundant stock, customer exposure and service and various other sums due". Apart from its stock of BSB Squarials, Comet says that it also spent considerable sums promoting BSB, the five-channel TV service which has now effectively been merged with Sky.

Under an agreement with the new Independent Television Commission, BSkyB will continue to broadcast the merged programme service on both the BSB and Astra satellite systems until the end of 1992.

The Comet writ raises the question of the extent to which the merged venture – in which Pearson, publisher of the Financial Times, has an 11 per cent stake – will be held responsible for the losses of equipment manufacturers and retailers.

BSkyB has taken responsibility for individual BSB viewers and has offered free exchange of equipment before broadcasting of its programme service ceases on the old BSB satellite system.

The consortium is expected to argue, however, that it is not responsible for losses suffered by manufacturers and suppliers of equipment.

Soon after the merger was announced, Mr Sam Chisholm, BSkyB managing director, wrote to retailers, telling them to stop selling Squarials and warning that if any were sold they would not be switched on by the satellite. Now Comet, which had 17,000 BSB customers out of a total of 120,000 BSB homes, says that it is being told to start selling Squarials again, even though the service is guaranteed only until the end of 1992.

The ITC is examining what can be offered on the BSB satellites thereafter.

Fair trading chief urged to quit

By Richard Lapper

THE Institute of Insurance Brokers yesterday called for the resignation of Sir Gordon Borrie, director general of fair trading, in the dispute over a proposed boycott of General Accident, the insurance company.

The call came amid indications that smaller insurance brokers may be preparing to defy last month's order by the Restrictive Practices Court outlawing their planned boycott of the company.

The Restrictive Practices Court ruled shortly before Christmas that a proposed boycott by brokers would be unlawful and granted an interim order to Sir Gordon.

The institute had called for a boycott in protest at the company's refusal to end its agreements to co-operate with schemes allowing motor manufacturers to offer "free insurance" to buyers of new cars.

GA underwrote a package for Ford which ended in September, but has refused to give any undertaking that it will desist from writing similar schemes in future.

According to the institute Sir Gordon had seriously "aggravated" a "day to day" commercial dispute by applying for the order. Mr Andrew Paddick, director general of the institute, which represents about 20 per cent of the UK's 4,500 brokers, said his organisation had received hundreds of telephone calls from brokers objecting to the ruling and demonstrating the "solidarity" of the market.

He added, however, that his organisation as bound by the terms of the court order and said he was writing to members to inform them of it.

The affair should have been referred to Mr Peter Lilley, the Secretary of State for Trade and Industry, said Mr Paddick.

Attack launched on reliability of staff testing

By John Gapper, Labour Editor

AN ATTEMPT to prevent the misuse of psychological testing of employees was launched yesterday. The move follows criticism that there is little evidence that personality tests can measure likely success at work.

The British Psychological Society started a drive to prevent occupational tests being sent to companies which do not employ a person who is certified in the proper use of psychological tests – often known as psychometrics.

There has been a rapid growth in the use of psychometric testing by employers either as a recruitment tool or to select staff for jobs inside companies. Seventy three per cent of companies now use some form of occupational test.

The tests are intended to produce more objective results than interviews. However, personality tests were said in a recent article of Nature, the science weekly, to be flawed and open to misuse.

Support for a form of testing or certification of psychometric tests has been expressed by Mr Alistair Graham, director of the Industrial Society. The society has advised members not to place too much reliance on such tests.

The BPS said it wanted to ensure that both employers and workers had confidence in the fairness and accuracy of tests.

It has already promoted guidelines on testing, but has now launched a certificate of competence in testing.

The certificate is to be launched in July for people who have completed an approved training course or are already registered with one of the big publishers of psychometric tests.

The society yesterday published a statement of good practice.

To be eligible for the certificate, people will have to be approved by a chartered psychologist. They will be assessed in 97 elements of competence in seven areas, including confidentiality and reliability.

In the Nature article, Mr Steve Blinkhorn and Mr Charles Johnson, both directors of Psychometric Research and Development, said the hypotheses on which some tests are based were misused in a "scandalous" manner.

They said a review of technical literature suggested that tests had little predictive power, and many of the results were well within the bounds of what a chance selection process might produce.

EMPLOYMENT

Plea by Major's former union

By Our Labour Editor

THE BANKING union Bifu has protested to one of its former members, Mr John Major, at being refused recognition at a building society, in spite of a vote by members of the society's staff association to merge with it.

Mr Leif Mills, Bifu general secretary, has written to the prime minister to complain at the lack of any legal mechanism for enforcement of union recognition, which has allowed the North of England Building Society to reject Bifu.

The refusal of the building society to allow its staff association to join Bifu has led to attempts by some members of staff to form a new association. Mr Major was a member of Bifu when he worked at Standard Chartered bank.

Bifu has faced difficulty since its inception in competing with staff associations encouraged by financial services companies. The big clearing banks formed staff associations before the Second World War when faced with unionisation.

The North of England Building Society, which has about 500 staff, refused to recognise Bifu when its staff association notified it of the merger. Members of the association voted by 76 per cent to 24 per cent to merge with Bifu.

Mr Terry Malloy, Bifu deputy general secretary, said the case had highlighted weaknesses in the law on union recognition. He said the union had been careful to observe all its statutory duties.

There has been growing pressure from within the TUC for the reinstatement of some form of statutory recognition procedure. The Labour party has promised to bring an unspecified form of recognition enforcement if elected to government.

The transfer of engagements from the staff association to Bifu was registered with the certification officer last July.

However, after a meeting with Bifu leaders the society's board rejected any form of recognition in September.

Local union democracy studied

By Our Labour Staff

LOCAL UNION leaders in local government and engineering workplaces may represent their members' views far better than those in other sectors, including health and financial services, according to a study of union democracy.

The government-funded study of the involvement of union members in five workplaces found that a variety of styles of leadership among local representatives had far-reaching effects on their accountability to members.

The most representative and accountable set of local leaders, whose members were most involved in decision-making, belonged to the Nalgo public services union at the housing directorate of an inner London local authority.

However, leaders of the MSF general technical union at an insurance company in central London, and of the public services union Nupe at a group of hospitals in north-east London, both failed to involve and represent members.

The study concludes that the main reason was the attitude of local union officials towards members rather than the policies of national union leaderships. In all cases, national leadership tried to foster better involvement.

The study's authors argue that a "vicious circle" can be created by a lack of local involvement as a result of which the membership becomes too fragmented and inexperienced to deal with big disputes and may eventually atrophy.

The other workplaces studied were the paint, trim and assembly plant of a car maker on the outskirts of London and a complex of small marine and avionics equipment manufacturing plants in south London.

Local Trade Unionists in Action: Patterns of Union Democracy, by Patricia Fosh and Sheila Cohen, in Trade Unions and Their Members, edited by Patricia Fosh and Edmund Heery. Macmillan. £40.

UK NEWS

Home loans institutions hold talks

By David Barchard

CHELTENHAM & Gloucester (C&G), the sixth largest UK home loans and savings institutions, is discussing a merger with Portsmouth Building Society.

Mr John King, chief executive of Portsmouth, which has assets of £760m, confirmed on New Year's Eve that talks with C&G were under way. "No decision has yet been taken," he said.

C&G, based in western England, during the last three years has climbed into the uppermost ranks of the building society industry through a succession of aggressive takeovers. In the last two and a half years, the C&G has taken over seven home loans and savings institutions, known in the UK as building societies.

Last year it launched the first ever contested bid between two societies when it unsuccessfully challenged Stroud & Swindon, another west of England institution, to take over the small Frome Selwood building society.

British recession leads to 35% increase in company bankruptcy and liquidation

Business failures hit 10-year high

By Peter Marsh, Economics Staff

THE RECESSION led to a 35 per cent increase in business failures in England and Wales last year compared with 1989, according to figures published in London today.

The total of 24,442 companies which collapsed in 1990 was the highest during the 10 years the figures have been published by Dun & Bradstreet, the business information company.

The latest results confirm the impact on the corporate sector of the rapid decline in consumer and business demand in the UK over the past six months.

They show that company failures – liquidations plus bankruptcies – are running at more than twice the level of 1980, the first full year of Mrs Thatcher's first Conservative government.

The number of collapses in 1980 was 10,651. The figure rose steadily in the early 1980s to reach 21,682 in 1984. In 1989, 18,163 businesses went under.

The weak economies of many other European nations and the US, have reduced the export prospects for many British companies, which have also been hit by slowing UK demand.

The UK's high interest rates have also pushed up borrowing costs. As companies' debt has increased, many have found that their banks are unwilling to maintain lines of credit, another factor behind the increased collapses.

Last year businesses failed at a particularly high rate in southern Britain as the recession bit into the predominantly service-oriented economy around London. Northern England – the area hardest hit during the last recession of the early 1980s – was less affected.

Company failures in 1990 were accounted for by nearly 14,000 liquidations and almost 11,000 bankruptcies.

London and the south-east recorded 10,997 business failures in 1990, an increase of 35 per cent on 1989. The region accounted for almost half the companies that succumbed to the recession.

The south-west, a booming area of Britain for much of the 1980s, last year suffered a 70 per cent increase in company bankruptcies and liquidations – a rate worse than for any other area. Total failures in this region came to 3,064.

East Anglia, another area in which growth in the past decade has been strong, recorded 1,069 failures last year, a 52 per cent increase.

In contrast, the traditionally manufacturing-oriented areas of the north east and north west saw increases in failures of 20 per cent and 21 per cent respectively, a rate well below the national average.

Company collapses in these regions last year came to 2,362 and 2,678. The West Midlands, East Midlands and Wales had increases in business failures in 1990 of 35 per cent, 26 per cent and 17 per cent respectively.

Business Failures in England and Wales

Year	Liquidations	Bankruptcies	Total failures
1980	6,814	3,814	10,651
1981	8,227	4,976	13.203
1982	11,131	5,436	16,567
1983	12,466	6,821	19,287
1984	13,647	8,035	21,682
1985	14,363	6,580	20,943
1986	13,689	6,991	20,680
1987	10,644	6,761	17,405
1988	9,276	7,286	16,652
1989	10,197	7,966	18,163
1990	13,611	10,831	24,442

Source: Dun & Bradstreet

1960 CABINET PAPERS

Documents reveal France as focus of concern

By John Authers

THIRTY years ago, it was France, and not Germany, which was the leading European power and the focus of British suspicions.

Last year Mr Nicholas Ridley, the former trade and industry secretary, made comparisons between Helmut Köhl and Adolf Hitler. But in 1960, a Foreign Office memo was far more concerned about the danger of a "Louis XIV plan" by France, then led by General de Gaulle, to dominate the EC.

Such British attitudes to Europe three decades ago have only just emerged from cabinet papers released under legislation ensuring the secrecy of cabinet documents for 30 years.

Mr Derick Heathcoat Amory, then chancellor of the exchequer, said a decision to enter the European Community would be "a political act with economic consequences", not the other way around.

If Britain stayed out, our political influence in Europe and the rest of the world was likely to decline, while a decision to enter would avoid tariff discrimination, he said. He added that Britain would be surrendering control of its commercial policies to a European bloc, when its trade interests were worldwide.

Mr Reginald Maudling, president of the Board of Trade, had "fundamental objections" to membership, and said the EC could pose a "serious economic threat". Lord Home, who in 1960 became foreign secretary, wanted to join to help keep Germany out of the Soviet Union's sphere of influence. He favoured joining on special terms, which would require close preliminary negotiations with the French.

The cabinet agreed that it could not accept entry under the full terms of the Treaty of Rome. Mr Harold Macmillan, then prime minister, said this presented "insuperable difficulties".

The minutes add: "It was argued there was no ground for alarm that membership would commit us to close integration. As a member, the United Kingdom would be able to influence the political development of the community and strengthen the forces in it which already preferred a loose confederal arrangement."

There was also an economic stumbling block to the most direct of links with the Continent. In February, the cabinet was told that government help "in some form or other would in due course become necessary" for the group building a tunnel under the English Channel.

In November, a request for "a great deal of financial support" was turned down. That tunnel was projected to cost £130m over five years – the estimated cost for the tunnel now under construction stands at £7.6bn.

Europe is not the only issue to have stayed alive over the last 30 years. The primary topic of discussion at the first cabinet meeting of 1960 was Kuwait.

Mr Selwyn Lloyd, the foreign secretary, said the ruler of Kuwait now wanted a more rapid timetable for the reduction of the UK's jurisdiction over the protectorate.

There is an apparently eerie prescience in the brief to a committee of the chiefs of staff, which was asked to draw up a contingency plan to dislodge Iraqi troops if they invaded Kuwait. Its report said an assault at brigade group level, supported by air action against Iraqi targets in both Iraq and Kuwait, would be needed.

Ministers could have been forgiven for overlooking Kuwait, in a year when the U2 incident worsened relations between the US and the Soviet Union, and the UK took the decision to station US Polaris missiles in Scotland.

This decision caused the cabinet great pain, following the abandonment of the Blue Streak project to build a British nuclear missile. The minutes for July show that ministers felt their choice was between international prestige and maintaining resources for other areas.

Correspondence between Mr Macmillan and President Eisenhower shows the Polaris decision was also bitterly contentious. Eisenhower referred to difficulties over "provision of facilities for our submarines in the Clyde".

The letters also reveal a phrase of which the country was to hear much more in the following three decades. Macmillan had scribbled "I agree" on a memo from his private secretary which said: "It may be necessary to recognise that our 'special relationship' with the US is not worth much, even with President Eisenhower."

BRITAIN IN BRIEF

Poor year forecast for property

The commercial property market, which has just had its worst year since 1974, will get worse before it gets better, says a report by Investment Property Databank, an independent research body.

Mr Rupert Nabarro, IPD's managing director. said: "The severity of the slump is fast approaching that of 1974 and the most recent trends show few signs of any respite."

IPD's concern about the market stems from poor prospects for rental growth, which expected to get worse before it improves.

Sterling's weakness within the European exchange rate mechanism and the continued upward pressure this put on interest rates had dashed hopes that rental growth would bottom out in late 1990, it said.

Finest hospitals are 'crumbling'

London's finest hospitals are crumbling, with leaking roofs, cracked floors and dingy and draughty wards and buildings, according to the opposition Labour Party.

Ms Harriet Harman, a Labour spokeswoman on health, said the decay was the result of a "spending squeeze" in the National Health Service which had produced a maintenance backlog of £294m in London's hospitals.

Demanding increased investment, she said: "We must invest in the fabric of our hospitals and a rebuilding programme so that medical advance and patient care is not hampered by Dickensian buildings."

A government spokeswoman said health authorities were aware of the problem and were tackling it.

ARCHBISHOP Cahal Daly, leader of Ireland's Roman Catholics (pictured above), called for an independent inquiry into the killing of a 20 year old man, shot dead in Northern Ireland by soldiers near a vehicle checkpoint. Speaking in Armagh, Archbishop Daly said the circumstances of the shooting on Sunday had brought the credibility of the security forces into question.

Mr Fergal Caraher was killed and his brother injured when soldiers opened fire after their car had allegedly failed to stop at a checkpoint near the village of Cullyhanna. The Army said the car knocked down two soldiers. But the Irish government has called for a full report into the incident in what is being seen as the first test of Anglo-Irish relations in the new year.

Wales remains buoyant

New jobs and investment in finance, engineering and electronics are helping Wales withstand the effects of the recession much better than many other regions.

The claim was made by Dr Gwyn Jones, chairman of the Welsh Development Agency after latest figures showed manufacturing employment in Wales was still growing by 2.5 per cent compared with an overall national decline of 0.7 per cent.

More than 130 new projects in Wales created or safeguarded 15,000 jobs in 1990. Employment in financial services grew by 3,000, an increase of 4.5 per cent.

Vaccine trial for cancer

A vaccine to prevent thousands of women dying from cancer of the cervix is set to undergo human trials in Britain within two years, scientists have announced.

The new hope is based on research by Professor Bill Jarrett of the Veterinary School in Glasgow, who has already produced a vaccine against a similarly-caused disease found in cattle.

Campaigners for cancer research hope that a single shot of the vaccine would provide life-long protection against cancer of the cervix, which kills more than 2,000 women every year in the UK.

Betting opens on 1991 events

Coral, the British bookmakers, have begun taking bets on the political and sporting events of 1991.

The odds on a general election being called in 1991 were quoted at 4/7, with the prospect of the opposition Labour party forming a government during the year put at 2/1. Betting also opened on the Wimbledon tennis championships with 6/1 on a German winning double of Graf and Becker.

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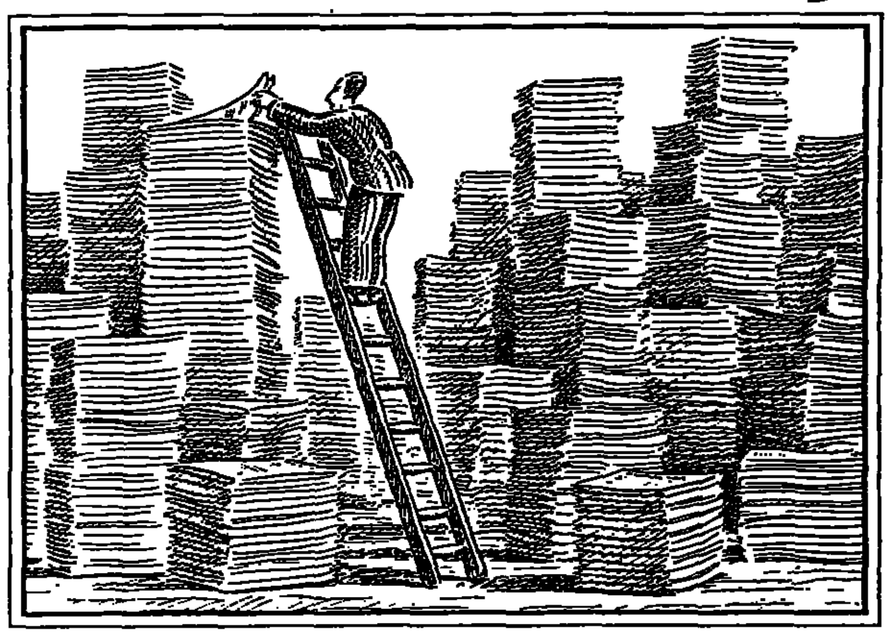

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MANAGEMENT

New Scottish organisations have a wider role than their English counterparts, explains **James Buxton**

Sweeping reform that goes beyond training

Lex Gold, one of the men at the centre of the web of Local Enterprise Companies (LECs) springing up in Scotland, makes a crucial point: "LECs may sound like the English TECs (training and enterprise councils) but they are actually very different; they have a far wider remit and will be much more powerful."

While the TECs, progressively being established across England, will concentrate on training, the LECs will not only handle training but also take on many of the powers for economic development of the Scottish Development Agency (SDA); these include advice and funding for businesses, property development, land reclamation and provision of factories.

The LECs are part of a sweeping reform whereby both the SDA and the Highlands and Islands Development Board are disappearing, merging with the Scottish functions of the Training Agency to form two new bodies: Scottish Enterprise in the south, and Highlands and Islands Enterprise in the north.

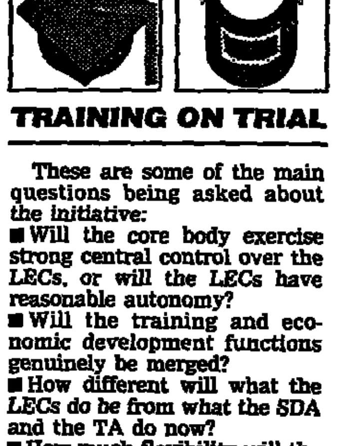
The structure will come into existence at a stroke next April 1. Scottish Enterprise, based in Glasgow in the old headquarters of the SDA, will be the core body for 13 LECs, and Highlands and Islands Enterprise for a further nine.

The LECs now exist in embryo, their boards headed by senior local businessmen and with private sector representatives holding at least two-thirds of the places. Scottish Enterprise's LECs recently submitted three-year plans all costed for what they intend to do. These amount to competitive bids for the LECs' share of the £320m out of the £406m Scottish Enterprise budget (the rest goes to the central body). The total budget represents no increase in real terms on the previous year's spend.

Of the £320m rather more than half is destined for training, with tight statutory strings attached, while the ex-SDA portion is more discretionary, though LECs must obtain authorisation from Scottish Enterprise for items of more than £250,000.

"Scottish Enterprise is being created in the belief that it is going to be more effective than what was being done before," says John Condliffe, the ex-SDA director who is joint managing director of the core body, along with Gold, who formerly ran the TA in Scotland. Next week their chief executive, Crawford Beveridge, a Scot headhunted back from California, moves in.

Professor Neil Hood, who has left a senior post at the SDA, recently described Scottish Enterprise as "a morass of complexity" full of "tensions and uncertainties".



TRAINING ON TRIAL

These are some of the main questions being asked about the initiative:

■ Will the core body exercise strong central control over the LECs, or will the LECs have reasonable autonomy?
■ Will the training and economic development functions genuinely be merged?
■ How different will what the LECs do be from what the SDA and the TA do now?
■ How much flexibility will the LECs have, especially in spending their training budgets?
■ Will they have enough money for all they want to do?
■ Will LECs attract private sector finance, as the government wants?

Although the Scottish Enterprise core body will retain functions such as responsibility for attracting inward investment to Scotland and venture capital finance, as well as close supervision of the LECs' activities, Condliffe underlines the LECs' autonomy.

"There will be a strong core to deliver the national programmes, but where a programme can be delivered locally it will be," he says. "We would rather see lots of performance even at the price of things being a little unco-ordinated."

In Dundee, William Low, a former textile industrialist, is chairman of Scottish Enterprise Tayside, which covers the Tayside region. He is not proposing big changes in the already well-established operations of the SDA and the TA in the area, although the two bodies will move into a single new office.

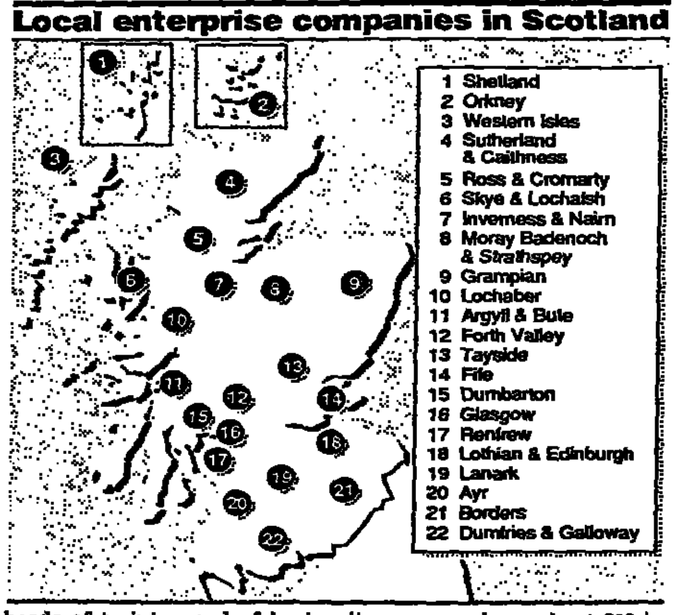
"We are determined that there will be no stop-go, so the SDA will carry on here with its projects as if it were going on forever," he says. Scottish Enterprise Tayside has informed all the organisations which currently carry out training operations for it that their contracts will be renewed for 12 months from next April.

Low sees the advantage of the new structure in the fact that "we understand local requirements. In the past staff were always on the train to Glasgow to get permission from the SDA to do things, or asking the boffins at TA headquarters in Sheffield".

The picture is rather different at Enterprise Ayrshire, south-west of Glasgow. Here an organisation is being created almost from scratch in an area where the SDA was never strong. A driving force is John Lord, the former TA director for the area, who is chief executive-designate. His chairman, John Hornibrook, who runs a Roche pharmaceutical plant, says: "We've gone for a single team in which hopefully people won't remember whether they are ex-SDA or ex-TA."

The merger is reflected in the management structure of the new body. Under the chief executive there are two directors of "business and human resources development", with heads of training and of business development reporting to them. The two directors each cover different geographical areas or industrial sectors which have yet to be decided.

Local enterprise companies in Scotland



Enterprise Ayrshire is terminating all contracts with organisations or companies which provide training and reassessing which of them should be re-hired. "There are some training activities giving people skills for which there is no demand in this area," says Hornibrook. "Training has got to be refocused." He sees Enterprise Ayrshire helping small companies in Ayrshire "which have started up successfully but do not grow."

In Aberdeen, Ian Wood, who runs the Wood Group, a large private company in oilfield services, is chairman of Grampian Enterprise. Unlike many areas of Scotland which have serious unemployment, parts of Grampian suffer from labour shortages. Though he feels that more should be done to help indigenous businesses exploit the oil services market, Wood sees the encouragement of diversification away from dependence on oil as a priority.

Grampian Enterprise has appointed a chief executive from outside both the SDA and the TA. Wood, who is also on the board of the SDA, plans to rationalise training, cutting the number of training providers from about 30 to about ten.

He sees Grampian Enterprise as a means of co-ordinating the proliferation of economic development bodies, some run by local authorities, in the area. Almost uniquely in the Scottish Enterprise organisation Grampian Enterprise has its own members, about 200 in all. They include companies, local authorities, colleges, trades unions and individuals.

"I don't expect much private sector money to be contributed to Grampian Enterprise, apart from membership subscriptions," says Wood. But the private sector will invest in projects alongside Grampian Enterprise. "The greatest thing that can happen is if they will invest more money in human resources in their own companies."

Now the LECs are waiting to see whether the core body approves their first year business plans and spending proposals. Wood is not alone in being worried that cuts in the training budget in line with demographic changes and falling unemployment will prevent Grampian Enterprise from doing much beyond its statutory duty to provide Youth Training and Employment Training.

At Scottish Enterprise headquarters Condliffe acknowledges that the amount of money which the LECs are seeking is far in excess of the total available, but it does not bother him. "We can say to the LECs: your proposals fit our overall strategy; it's up to you to prioritise them according to your budget. There will be practical reasons why not all projects will go ahead in year one or even later."

"Year one will be difficult for Scottish Enterprise. The time to judge it is the middle of year two. If we still have problems then it will be serious."

Previous articles in this series appeared on November 28 and December 3 and 10.

East, West — home's the most profitable

Guy de Jonquières reports on the 'performance gap' of Japanese companies operating in the US

Imagine a car-maker which developed a luxury export model specifically for the US market, but failed to incorporate a straightforward anti-theft device long demanded as standard by wealthy American car buyers.

Or a multinational manufacturer which regularly suffered product shortages in foreign markets because it ran its local plants so slackly. Or a company which appointed no managers at its overseas subsidiaries responsible for dealing with customer complaints.

Of course, everybody knows what would happen. Such companies would be mercilessly sandbagged by Japanese competitors, with their fanatical attention to product detail, superior manufacturing efficiency and devotion to customer service.

In all the cases mentioned, however, the companies are Japanese.

They are cited, but not named, in an article in the forthcoming McKinsey Quarterly, which sets out to demolish — or at least cut down to size — Japanese industry's reputation as an unstoppable force on world markets.

In reality, the article says, Japanese companies are also-rans internationally in many industries where they are widely thought to be dominant. It judges that in the US market, Japanese companies are clear leaders in only four of the 20 largest manufacturing sectors in which they compete. These are consumer electronics, cameras, microchip memories and semiconductor manufacturing equipment.

Furthermore, only six of the largest Japanese industrial companies selling in the US have more than a quarter of their worldwide sales there, and in most cases profit margins are far lower than in Japan.

The article, by the joint head of McKinsey's Pacific Basin practice in the western US, argues that Japanese industry's international expansion is inhibited by inflexible management and organisation, which often fall well below world-class standards: "Many of these companies, which do have real competitive advantages in terms of product quality and cost, succeed despite performance gaps in other areas."

It identifies six common errors made by Japanese companies in the US:

- They fail to invest enough in local sales and marketing to exploit the market to the full.
- Unlike their best American competitors, they treat the US as one homogeneous market, ignoring important regional differences.
- They do not tailor products closely enough to local demand, often preferring to maximise global scale economies by selling the same product everywhere.

Japanese companies are also-rans internationally in many industries where they are widely thought to be dominant...

- They manage their US manufacturing and distribution operations much less efficiently than those in Japan — and often less efficiently than those of their leading US competitors.
- They take decisions less rapidly than their main local rivals and are frequently slow to adjust production and inventory to shifts in demand.
- They pay far too much for acquisitions and manage them clumsily.

Paradoxically, the article finds, the collective, consensus-based behaviour which has enabled Japanese companies to succeed as exporters of low-cost manufactures is handicapping their efforts to respond to important local variations in customer tastes and business practices overseas.

The heart of the problem is excessive centralisation of decision-making at headquarters, where powerful middle managers tenaciously control the flow of all important information reaching senior executives.

The shortcomings of this system are compounded by the Japanese companies' tendency to organise themselves by function and to focus more on "upstream" activities such as product development, sourcing and manufacturing than on marketing, sales and service.

The consequence is an inward-looking attitude, more concerned with improving corporate functions than with serving customer needs.

"Top managers can stay close to the market and competitive situation in Japan because they live there," the article says. "They cannot possibly understand what is really going on in the US, particularly when most of the information they see is processed and packaged by middle managers within their respective functions."

Further weaknesses are the fact that relatively few Japanese managers have lived and worked abroad, and the delays which result from applying consensus decision-making to far-flung international operations.

The article sees no single solution. But in general, it says, efforts to develop new skills are likely to be much more effective than simply changing corporate structure and organisation.

The ultimate goal should be to create a "hyphenated" Japanese-American corporation by decentralising design and development functions to the US, beefing up local marketing and improving co-ordination between headquarters and overseas operating units.

It is essential to move key executives from Japan to the US and to get those who remain at headquarters to support, rather than supervise, the US business. That, however, is a big departure from the "command and control" model prevalent in much of Japanese industry.

The message for Japan's multinationals is clear: if they are truly to become "insiders" in foreign markets, the toughest problems they must resolve are not abroad, but at home.

* *Creating the "hyphenated" corporation. Henry DeNero, McKinsey Quarterly No 4, 1990.*

BUSINESS AND THE ENVIRONMENT

ICI launches 'green' water treating arm

ICI, THE largest UK chemical company, today launches a new environmental business to compete in the fast-growing water treatment market.

ICI Watercare is intended to pull together existing water-related activities, which have been scattered through different parts of the company, and to build up new products and services. "Previously for their water treatment requirements, customers could have had up to 17 different points of contact within ICI," said Paul Hodges, business manager.

Watercare will target two main sectors of the market:

- One is still known as the "municipal" sector, although in the UK its main customers are no longer public authorities, but privatised water companies. ICI will provide products for purifying drinking water and treating sewage.
- The other target is the "effluent" market — treating liquid wastes from industrial processes, particularly in chemical manufacturing. The plan is for Watercare to concentrate during its first year on helping ICI's own plants to reduce pollution. It will then look for industrial customers outside the group.

Part of the business strategy will be to offer industrial treatment systems for lease as well as for sale, enabling customers to avoid heavy capital expenditure and to update systems as the technology improves.

At first the new business will operate mainly in the UK, as part of ICI's chlor-chemicals division based in Runcorn, Cheshire.

Chlorine chemicals are very important for water purification, and technologies derived from their production — including electrochemistry and membranes — can also be applied to water treatment.

Bob Hunt, general manager of ICI chlor-chemicals, expects Watercare turnover to be £40m — £50m in 1991, and then to grow rapidly as the business expands internationally.

ICI Australia recently launched a similar water treatment business, which could be the basis for Watercare's growth through the Asia-Pacific region.

Clive Cookson

Tree felling debate now a political issue

Bernard Simon on how a Canadian forest industry leader is coming to terms with growing opposition

MacMillan Bloedel, the biggest of British Columbia's pulp and paper producers, has both the good fortune and the misfortune to get its timber from some of the world's most magnificent forests.

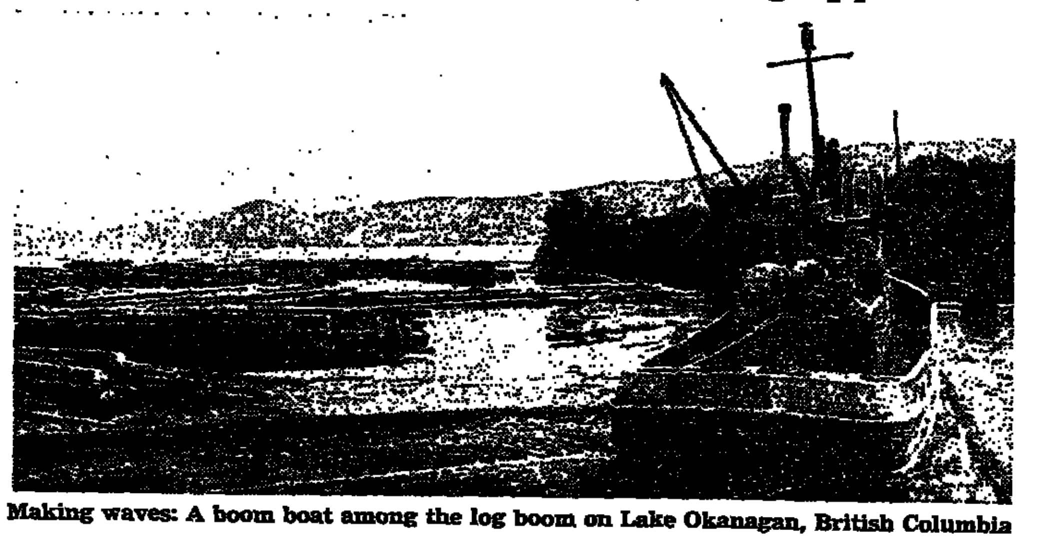
The imposing, centuries-old spruce, cedar, hemlock and Douglas fir trees which blanket Canada's west coast and dozens of adjacent islands yield timber and paper products which are prized around the world for their appearance and durability. The problem for MB however, is that turning spectacular virgin forests into sawn timber, pulp and eventually paper is a messy, unsightly and ecologically risky business which has raised the ire of environmental groups and become a high-profile political issue.

Developments in the past few weeks illustrate the intense pressures on MB and the rest of the Canadian forest industry. In late November, the company called in the Mounties to clear a forest road in the Tsitika Valley on Vancouver Island, which was being blocked by anti-logging protestors in defiance of a court order.

The forest companies were an inevitable target when British Columbia's environment minister quit on December 10 in protest against the provincial premier's decision to overrule a proposal which would have toughened the rules on the amount of toxic chlorinated organic compounds allowed in pulp mill effluent. Perhaps most worrying are rumours reaching MB's head office in Vancouver that environment groups in Europe are planning a boycott of the industry's products in protest against its logging practices.

MB executives already compare their plight to that of Canada's trappers and hunters, many of whom were driven out of business by fur boycotts organised by conservation groups in Europe and the US.

The anti-fur and the forest-preservation groups have a devastating weapon in common — the powerful visual impact of the activity they are protesting against. Just as the fur boycotts were ignited by pictures of baby seals being clubbed to death, the forestry industry is being hurt by dramatic photos of clear-cuts, the ugly scars of land stripped of trees. The clear-cuts are generally more unsightly in British Columbia than in other parts of the world. They are bigger, with each averaging 50-55 hectares, compared to 30-40ha in Scandinavia. The forests are also generally older, which means the cutters leave more rotten logs and other debris on the ground behind them.



Making waves: A boom boat among the log boom on Lake Okanagan, British Columbia

MB's land-use manager Stan Coleman acknowledges that the company can be blamed for unsightly cutting in the past along highways and waterways. It now uses computer modelling and video-imaging techniques to make its clear-cuts less of an eyesore. This allows foresters to tailor the clear-cuts to the topography.

Coleman says that the size of clear-cuts will be reduced to 30-40ha within the next five years. In MB's defence, he adds that all clear-cuts are replanted within three years of harvesting, although in Canada's cold climate, it takes 10 years or more before a passer-by would notice much new growth in a replanted forest. MB also consults the public about its logging plans far more actively than it did in the past. It arranges meetings in local communities to outline specific harvesting plans as well as management's five-year working plan. It has built two visitor information centres on Vancouver Island, and has taken 1,000 school children on forest tours in the past year.

In addition, the company conducts public opinion polls on forestry issues and has installed a telephone hot-line to deal with complaints and queries from the public.

Environmental groups, however, are far from satisfied with these measures. Vicki Husband, conservation chairman of the Sierra Club in British Columbia, acknowledges that MB is "among the best of a bad lot", but adds: "We're just like worrisome little flies and they don't take us very seriously. What they're doing on the ground is totally different to what they're saying."

She points, for instance, to unreported damage from forestry operations, including landslides and, in one case, the blasting of large quantities of rock into a salmon river. Environmental groups also contend that MB and other forestry companies have financed and helped organise resistance in logging communities to their protests.

They argue that no amount of replanting can replace old-growth forests. "They're never going to get the quality that nature gave them," Husband says. Organisations like the Sierra Club want far-reaching changes in the industry's logging practices, including a reduction of between 4 and 5 per cent in the annual cut, the protection of more old-growth areas, more selective logging and less use of equipment which accelerates soil erosion.

On the pulp side, the pressure is to cut dramatically the level of toxic waste in pulp mill effluent. As recently as two years ago, MB's mills were dumping 6-8kg of chlorinated organic material (which includes toxic dioxins and furans) for every metric ton of pulp produced.

The government has set a 1992 target of 2.5kg/tonne, but environmentalists are pushing for a maximum of 1.5kg/tonne and some European customers are increasingly demanding chlorine-free pulps. The provincial government is currently studying the pros and cons of dropping the ceiling to 1.5kg/tonne.

MB balks at the cost of meeting these demands. If the environmentalists had their way, about 40 per cent of the forests feeding the company's big Port Alberni complex on the west coast of Vancouver Island would be withdrawn from logging. The company has already warned that a decision earlier this year to set aside more than half of the picturesque Carmanah Valley for a 3,500ha nature reserve will cost 100 jobs and C$12m (£5.4m) a year in economic activity at Port Alberni.

MB says that meeting the 1.5kg/tonne target for pulp mill effluent would cost an estimated C$300m in new equipment and lower production capacity. It puts the price tag on a further cut to 0.5kg/tonne at C$800m.

With the gap between environmentalists and the industry so wide, the company is hoping to gain more public sympathy by highlighting the attributes of its wood products. As Mr Roger Wiewel, senior vice-president for product development, puts it, environmental pressures are forcing the company to "get every little squeak out of the forest". MB is putting increasing emphasis on the environmental argument in promoting its products. In Wiewel's words: "When we grow the tree, we give you oxygen. When we build the house, we save you energy."

Thus, MB is pointing to wooden window frames and doors being better at conserving energy than brick, steel or concrete buildings. Parallam, MB's pioneering parallel strand lumber, which is as strong as some kinds of steel, can be made from second-growth timber, and uses a larger proportion of the tree than sawn logs.

Otto Forgacs, vice-president for research and development, acknowledges that environmental considerations were far from the company's mind when it developed Parallam in the 1970s and early 1980s. But he says: "In the past 2-3 years, we've realised the benefits."

Likewise, MB is mustering every environmental argument it can to promote its newest product, SpaceKraft. An eight-ply corrugated cardboard container with a plastic inner lining, SpaceKraft can be used instead of steel drums to ship and store bulk liquids. The outer sleeve is recyclable.

Heavy demand for these products would not necessarily solve the company's problems in the forests and pulp mills. The dilemma remains, in the words of MB chairman Raymond Smith, that "everybody wants wood, but nobody seems to want to own up to the fact that you have to cut down trees to get it".

An article about forestry in Chile appeared on the business and environment page on December 17th.

Soiled image of disposable nappy

By Karen Zagor

It is said that most parents think their children are beautiful — but few are so doting that they willingly wash the soiled nappies of their off-spring.

Even in this age of growing concern about pollution, it would seem that new parents have enough to keep them awake at night, without worrying about the environmental impact of throwing out the nappies along with the household rubbish.

In the US, disposables account for about 85 per cent of all nappy sales. This translates into roughly $3.5bn (£1.85bn) in sales a year, with no signs that they are slipping.

It is generally agreed that nappies account for no more than about 2 per cent of the solid waste in landfills, by both volume and weight, but landfill space is becoming increasingly scarce and nappies are a very visible source of waste.

The voices calling for a return to traditional cotton nappies have become so loud that Procter & Gamble has pledged $20m next year towards advancing composting technology. The company, whose Luvs and Pampers brands brought in $4.32bn in worldwide sales last year, also hopes to have a test market for a fully-compostable disposable nappy by the end of next year.

At the moment, most disposable nappies are about 80 per cent compostable, and Procter & Gamble is working on developing a fully-compostable material to replace the plastic back-sheets.

Even if the company had a fully-compostable nappy on the market today, "you would not put it in your backyard compost pile", says Thomas Richard, a bio-engineer at Cornell University. In order to control the pathogens in the waste, the compost must be kept at a temperature of at least 55 deg C for at least 72 hours, which is quite easily done at industrial compost plants.

However, most US households do not have easy access to commercial compost plants, with only about 10 mixed-waste composting facilities in the nation. Procter & Gamble hopes its research will spur local government, to develop composting facilities. The company estimates that between 30 and 60 per cent of all waste in landfills, ranging from paper towels to food scraps, could be composted.

"There is no question that a lot more composting will happen in the next five to ten years," says Richard.

Commercial delivery services for nappies are starting to thrive in many big US cities. But the chemicals used by the services to wash the nappies are harsher than standard home detergents, and the trucks used to transport the nappies are also a source of pollution.

Although many environmentalists dispute Procter & Gamble's claim that commercially laundered cloth nappies create nearly 10 times as much water pollution as disposables, "the environmental impact of using a diaper service is probably comparable to using disposable diapers", said Jan Beyea, a senior research scientist at the National Audebon Society.

Concern about the environment prompted a study into diapers by Seattle's King County Nurses Association last year. Among the recommendations was that institutions be encouraged "to use reusable cotton diapers over single-use diapers". So far, six of the city's eight hospitals with maternity wards have reverted to traditional nappies and the other two are expected to follow suit.

Nebraska's department of environmental control is also studying disposable nappies. If it concludes that the two types of disposables are similar in terms of cost, quality and availability, the state will ban the sale of non-degradable nappies from October 1993.

Nebraska has something of a vested interest in the issue, however, since cornstarch is an important component of the degradable plastic used in the nappies — and corn plays an important role in Nebraska's economy.

Meanwhile, until a viable alternative is found, the Audebon Society recommends washing nappies at home and travelling with disposables.

ARTS

The good, the bad and the repeats

Chris Dunkley reviews the year's TV

Every year the history of television seems to become more dramatic, and 1990 – the last year of the old decade – was no exception. In Britain the biggest story was, sadly, a negative one: BSB opened in May and, to all intents and purposes – at least so far as viewers were concerned – closed in November.

It was also the year of the World Cup, an event which, during the summer, made "Nessun Dorma" the most famous song in the world and brought together Carreras, Domingo and Pavarotti to sing on the same stage. Despite house to house fighting the Broadcasting Bill passed through the Commons and the Lords to become the Broadcasting Act. Viewers experienced the first year of pictures from the House of Commons, and in November broadcasters were driven to hysteria – by the involuntary resignation of Margaret Thatcher.

However, in the history of television it is surely the BSB story which will eventually be seen as having the greatest significance. The entire affair was full of ironies, the greatest of which was the role played by Rupert Murdoch.

It was Mr Murdoch who, by organising a midnight flit to a greenfield site at Wapping, had dragged the newspaper industry out of the 16th century and into the 21st. There was bitterness and fighting but the result was an industry in which it was suddenly possible to use modern technology to create vastly improved products. Of course the motives were scarcely philanthropic: it was done because it suited Mr Murdoch.

Unsurprisingly the motives were identical when he began operations in satellite television, but the effects were the opposite to those in the newspaper business. The British government had decided to create a monopoly in DBS (Direct Broadcasting by Satellite) and given the licence, with all available DBS channels, to BSB, a consortium backed by Chargeurs, Reed, Granada, Virgin and Pearson, owners of the *FT*. Mr Murdoch, ever the vigorous competitor, would not take that lying down.

Buying himself space on the Astra satellite he pre-empted BSB by offering British viewers five new channels of Sky television, an initiative for which no government licence was needed since Astra is operated by a Luxembourg-based company. The crucial factor which made the scheme possible, and put Murdoch into the sky ahead of his competitors, was the decision – and this is where the whole business is so different from his newspaper revolution – to ignore the new technology and stick with PAL, the transmission system already used for British terrestrial broadcasting.

While BSB was gearing up for a high-quality, high-cost operation using new D-Mac technology which could one day make high-definition television available to any Briton who wanted it, Mr Murdoch's men were switching their satellite dish sales away from the high street traders – too refined, too slow – to a direct-selling operation on the doorstep which, according to some accounts, made the old snake oil merchants look like gentlemen.

When BSB did finally take to the heavens its programmes were certainly closer to the British public service tradition than to the distinctly commercial Australian/American formula used by Sky; indeed, there was a surprising number of "classic" BBC series on offer – "repeats" as most people would say. There was also a splendid array of arts programmes – ballets, operas, symphony concerts – spread through every weekend. However, not even a single year was to elapse before BSB "merged" with Sky. "Takeover" was, according to the headlines in some non-Murdoch newspapers, the more apt word.

However, what about the year's programmes? Let us begin for once not with the best, but with the worst – or, to be fair, with those programmes that failed dramatically to come up to expectations, those that bombed:

■ **THE BOMBERS**

Three new detective series – *Yellowthread Street* from Yorkshire, *Waterfront Beat* from the BBC, and *TECX* from Central – proved that however much you may spend and however many previous detective series have been successes in the past decade, there is no guarantee that a whole lot more will be equally triumphant. *Yellowthread Street* attempted to reproduce the slam-bang American cop series with the venue moved to Hong Kong, but merely looked like a parody. Once you had got the first low-level camera shot showing the whizzing wheel of a car in a chase, you knew you had time to settle down and read most of a modern novel before there was any need to check the screen again for developments.

Waterfront Beat created by Phil Redmond, the man who invented the Channel 4 soap opera *Brookside*, was so concerned with depicting the "bureaucratisation" of the British police that there did not seem any room for policing. *TECX* provided yet more proof – goodness knows how much they need – that when you try to make worthy series illustrating the ideals of the EC – with a Frenchman, an Englishman and an Italian, or whatever, sharing the acting honours – what you end up with is neither poisson nor flesh nor *triglia di scoglio*.

In May the BBC abandoned the journalistic principles of nearly 70 years and broadcast *One World Week*, a sequence of programmes about the environment, ecology, natural history, global warming and so on which conflated fact and tear jerking emotionalism, and lined up the Corporation on the side of green mysticism. To many viewers the co-operation of Prince Charles in this misty-eyed sentimentality, with its mixture of fear and quasi-religious claptrap, will no doubt have added a legitimacy which might otherwise have been thankfully absent.

Dispatches, which produced so much impressive material – see "Current Affairs" – also joined in one of the year's daftest campaigns: a desperate attempt by Beatrix Campbell to persuade us that in some instances the criminal mistreatment of children involved not only sex abuse but witchcraft.

To produce a series of programmes parodying Roger Cook's style of investigative journalism is odd enough; a single programme, if well made, might manage to remain funny on the subject for 30 minutes. To go on as Channel 4 did from the first unfunny series to make another entire series, with a different actor, Tony Slattery, playing the Cook figure, is beyond understanding. The trouble with *This Is David Harper* – as with Nigel Planer's series *The Naked Actor* attempting to satirise actors who take themselves too seriously – is that it is impossible to be funnier than the real thing.

There was one reason for television critics to greet the departure of BSB with relief: they would not have to watch any more of *Jupiter Moon*, a soap opera which combined the sets of *Star Trek*, the acting standard of *Crossroads*, the dialogue flair of *Neighbours*, and the clothes from a teenage cocktail party, with a story line which seemed to be created by a committee of manic depressives.

■ **DRAMA SERIALS**

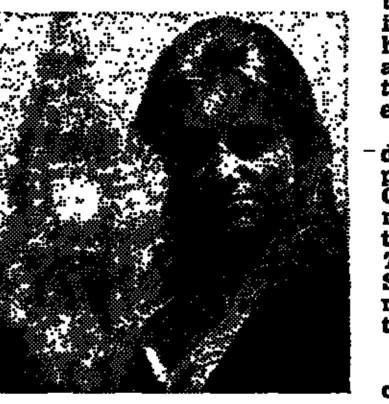
The best of the year arrived in the first fortnight: *Oranges Are Not Only Fruit*, a fresh, brave, tough, bright adaptation by Jeanette Winterson of her own extraordinary autobiographical novel, involving a repressed religious childhood and emergence into lesbianism. Produced for BBC2 by Philippa Giles, directed by Beeban Kidron, and starring Geraldine McEwan, it deserves all the awards available.

The new year also established a recurring theme: children snatched from one parent by the other to be spirited away, followed by international pursuit. In London Weekend's version, *Stolen*, Art Malik played the father who took the children to Bangladesh. In BBC2's autumn version, *Die Kinder*, Miranda Richardson – one of the most fashionable actresses of the year – played the mother who pursued her children to Germany.

At the start of the year the barrow-boy businessman was still considered fashionable – just – and Clive Owen played Crane, a hair-gelled wheeler dealer in Central's *Chancer* who came up against old family values in a Morgan-like car firm. Later in the year a second and highly enjoyable series of *Capital City*, once again set in the Shane Longman bank, turned to green issues and love interest since greed and yuppiedom were so obviously out of fashion.

Declan McConnochie and Michelle Hauptmann marry in Capital City

The best police series was Anglia's *The Chief*. Tim Pigott-Smith played a new chief constable who refused to go along with local habits of graft and corruption or national habits of fixing and covering up. In a society racked by increasingly frequent revelations of police corruption at all levels, BBC2 reminded us that with high quality writing and an original eye, there is no need to strain for novelty or special effect in drama: Krzysztof Kieslowski's *Ten Commandments*, imported from Poland, sustained a remarkably high standard and showed that whatever may have atrophied in the shadow of the iron curtain, the serious consideration of moral problems in drama was not one of them.



Susannah Harker

Sir John Harvey Jones

■ **REPEATS**

All the best repeats of 1990 were comedies. BBC2 brought us *Monty Python's Flying Circus* of which the fashionable thing to say was that it was not as good as besotted fans remembered. *Not Only But Also*, another BBC2 repeat, is an older series, of course, but it now looks much more indulgent, long winded, and slack. It is easy to see how editing could improve most of the sketches, and that cannot be said of *Python*.

Although it was first screened not very long ago, *Alexei Sayle's Stuff* stood up remarkably well to a second viewing and will, I suspect, prove in future decades to be one of the best lasting of the present comedy series.

■ **COMEDIES**

Not surprisingly, perhaps, given Britain's demographic position, the fashionable age group in 1990 situation comedies was the over-sixties. BBC1's new year series *One Foot In The Grave* was outshone – and by considerable candlepower – in the early summer by *Waiting For God* on the same channel, a series which benefitted enormously from a strong cast: Graham Crowden, Stephanie Cole and Janine Duvitski.

Among the stand-up men the honours were equally divided behind an old hand, *Dave Allen*, who caused a great kerfuffle after all his years on the box by using four letter words, yet whose material was funnier than ever; and the relative newcomer Ben Elton who, in *The Man From Auntie*, proved that he *could* get laughs without perpetually ramming right-on political attitudes down the throats of his audience. These were both BBC1 series.

The two most impressive new comedies on ITV were both through-composed dramas, and both produced by Granada: *El CID* which took as its milieu the retired British criminal fraternity on the Costa Brava; and *Up The Garden Path* in which Imelda Staunton acted out all possible neurotic interpretations of the word "mistress".

■ **JAPAN**

The "not so very surprising" tag could also be tied onto the number of programmes which British television in 1990 devoted to Japan. For a while there seemed to be a new series starting every week. Best of these by quite a margin was Peter Pagnamenta's *Nippon*, an eight-part BBC2 series which proved there is still nothing to beat a high quality deeply-researched conventional documentary. However, the most memorable programme of the year on Japan was a simple half-hour edition of Channel 4's *Opinions* in which Murray Sayle talked about the experience of a Westerner living in the country: about habits, attitudes and expectations.

■ **CURRENT AFFAIRS**

Channel 4 came out strongly on current affairs generally. Yet the most watchable of the political series has been *A Week In Politics* which combines studio discussion with footage from the week in Parliament. *Dispatches* has become a more and more important series. On subjects such as Aids and the Gulf crisis it has proved willing to stand aside from the television pack and raise a quizzical eyebrow with scepticism and even criticism – an invaluable characteristic in a medium so deeply marked by copycat habits.

Similarly healthy attitudes have often been evident in another Channel 4 slot, *Equinox*. Channel 4 also brought us the remarkable documentary investigation *When The Men With The Money Go Mad*. However, if there was a prize for a limited series in current affairs it would surely have to go to BBC2's *Troubleshooter*, the programmes in which Sir John-Harvey Jones visited a number of British manufacturers, large and small, and commented mercilessly on their shortcomings.

■ **ARTS**

Not a strong year for innovation. *Signals* on Channel 4 gave way to *Without Walls* and here, as in *Dispatches* and *Equinox* there are encouraging signs of a willingness to buck trends. The unintentionally hilarious attack on the Rolling Stones – You mean they're not really rebels any more, they've become rich businessmen? Wow, cook us another lentil pancake Neil – was a most unfortunate example, but it was isolated.

The most enjoyable arts series of the year was the sequence of appreciations of such poets as Larkin, Betjeman, and Auden given by Alan Bennett in *Poetry In Motion* on Channel 4.

■ **DOCUMENTARIES**

The year's best documentary series were *The Midas Touch* on BBC2 in which Anthony Sampson expatiated fascinatingly upon money; *The Trials Of Life* on BBC1 in which David Attenborough continued his uniquely successful lifelong quest to explain the animal world to us; and – I suspect – a quiet little series from London Weekend called *The River Thames*.

Among single documentaries the "Viewpoint Special" *Hallo, Do You Hear Us?* stands out: quite rightly this startling account of the state of the Soviet Union won one of the top prizes at the 1990 Prix Italia. I shall not quickly forget BBC2's wonderfully wicked *Airline* which juxtaposed all the marketing flannel used by British Airways against the reality of fury and frustration at the check-in desks. And although it was long and flawed and sometimes irritating – like almost all her work – I could not, even if I wanted to, forget Jana Bokova's *Arena* on Havana.

Some of the most controversial programmes of the year were drama documentaries. *Who Bombed Birmingham?* and *Why Lockerbie?*, both from Granada, and *Shoot To Kill*, about the Stalker inquiry from Yorkshire may have caused apoplexy in the clubs of St James's, but I have little doubt that future generations will consider them among the most important programmes of our age.

A Farewell to Joan Sutherland

"The old voice is winding down now," said Dame Joan in her inimitably pithy, good-humoured, clear-eyed public manner. This was the end of the gala performance of *Die Fledermaus* at Covent Garden on New Year's Eve. The fireworks had gone off, the balloons and streamers and "Farewell Joan" neon sign had come down, Jeremy Isaacs had presented her with the house's final token of love and esteem – the drum she banged during the 1966 production of *La Fille du regiment*.

It was time for the Royal Opera's most prodigiously gifted home-developed product of the postwar era to pay her final respects in words, and she did so with that wonderful Aussie directness and grace which have always shone through her artistic personality.

This was a moving moment, in an evening (televised across the world) of which there were a good many. It was an odd occasion for farewells: a middling-to-dull *Fledermaus* interrupted at midpoint, according to the dubious Viennese New Year's Eve tradition, for a cavalcade of guest-celebrity jollities.

Yet here the guests were Luciano Pavarotti and Marilyn Horne alongside Sutherland herself – the two singers with whom she has been most closely associated in her long career – and the items chosen by the three for interpellation were all tenderly elegiac in tone.

Pavarotti was at his ardently romantic best in Federico's Lament (from *L'arlesiana*) and then with Sutherland in the Act 3 *Traviata* duet; Horne was sumptuous almost as of old in "*Mon coeur s'ouvre a ta voix*" and an impeccably chivalrous partner for Sutherland in the *Semiramide* duet; and finally the soprano herself stilled the house with an account of "Home Sweet Home", admirably supported by Richard Bonynge in the pit, which was plain, heartfelt, and touched with sufficient hints of the old vocal glory to supply a perfect musical moment of parting. No wonder the operetta itself was unable to recover much sparkle afterwards.

This final Sutherland appearance in London was necessary. The soprano had officially retired in October, at the end of a Sydney run of *Les Huguenots* ; but since it was on the Covent Garden stage that she had made her first appearance – on 28 October 1952, as the *Flute* First Lady – and here, in 1959, that she had sung the *Lucia di Lammermoor* which was to rocket her across the opera world, some sort of London finale to the 38-year-long career had to be contrived. Opera houses and opera-house audiences are sentimental institutions, rich in their own traditions, rootedly loyal to their household gods; this can work to the disadvantage of innovation in the medium, but it can also make for scenes of wonderfully full-hearted affection between spectator and artist. On Monday night the mid-*Fledermaus* items and the end-of-evening curtain calls were traditional in this entirely positive sense.

It was, therefore, not the occasion for a dispassionate summing-up of the career. That Sutherland was possessor of one of the three or four finest voices of the century there were here brief reminders, inevitably muted: a note at the top of or above the stave, taken in the *Traviata* and "Home Sweet Home" performances and spun out in a way to make whole theatres glow; a run or turn of fast-moving notes flourished with effortless brilliance and agility; a capacity for simple dignity that could invest some of the grander bel canto heroines (Semiramis, Norma, Mary Stuart, Anne Boleyn, Lucrezia Borgia) with a noble stature not always theirs by nature.

In a way, there was a strange mismatch between the sensible, firm-jawed soprano known for her offstage even temper and love of domesticity and much of the highly ornate material she came to purvey; yet it was this very imbalance, "corrected" by the vocal magic she could work and by the dominating stage presence she could convey, that made her so much loved by her audiences.

Above all, Sutherland will be remembered for the splendour of the voice, and the generous yet down-to-earth way it was presented to the world. She was not, and would never have pretended to be, one of those streaking comets of the operatic stage – Pauline Viardot in the last century, Callas in ours – who by fusion of musical and dramatic genius worked transformatory miracles with uneven and (towards the end) refractory vocal material.

Everyone's most cherished Sutherland memories will be connected with the sound, and the pleasurable physical impact, of that peculiar vocal radiance. It's by no means the only, or even always the most important, thing that the medium of opera can be said to be "about"; but it's one of the things that opera cannot safely do without.

Max Loppert

Dame Joan Sutherland and Luciano Pavarotti

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A new start for trade

ONE RESOLUTION that world leaders must keep if they are to enjoy a prosperous new year is quickly to revive and complete the stalled Uruguay Round of trade negotiations.

The effort needed will be the greater because of other preoccupations – the Gulf crisis that is now coming to a head, the fate of Soviet reform, and the looming economic slowdown. But these very factors also make success in the four-year talks to reform the trading system all the more essential.

At a time of growing international tension the world cannot afford the recriminations and rancour that would follow a Uruguay Round failure. Trade wars could quickly destroy the will of nations to co-operate in the international arena. Particularly when the world economy is weak, nothing could be more crass than to forgo the prosperity promised by a successful Uruguay Round that yielded genuine trade liberalisation.

The European Community and the United States are the two main protagonists in the dispute over farm subsidies that brought the Uruguay Round close to collapse in December. They must stand back from the rhetoric they have deployed ever since and examine what now has to be done.

First and foremost, the European Community must accept that the Uruguay Round cannot be revived unless it is prepared to undertake genuine reform of its Common Agricultural Policy.

It is no use ducking this question with sentimental pleading about keeping farmers on the land or with ranting against the US. The trading system, on which a more united Europe still depends, is too important for that. Besides, the cost of supporting Europe's pampered farmers is rising inexorably, to the point that it threatens other Community objectives such as regional aid.

US political doubts

Meanwhile, the Bush administration must learn to play a more subtle game with Congress and its domestic lobbies. It has used them up to now to intensify the pressures on its partners in the General Agreement on Tariffs and Trade. In the process US political doubts over what the Uruguay Round could achieve have been allowed to grow out of all proportion. Support for multilateral trade must be rekindled and private sector co-operation courted. The global system must be bolstered, even at the cost of some individual sacrifice.

Opening up markets

The US private sector would swing more readily behind the Uruguay Round if the advanced developing countries were to be more forthcoming with offers to open up their markets for services such as banking and insurance. That would demonstrate to American sceptics that real benefits are at hand.

In sum, a change of mood is required that would focus attention on the lasting economic benefits, rather than on the short-run political costs of trade liberalisation. A result could then still be achieved, one that would defy Gatt's critics and secure its future at the centre of a thriving multilateral trading system. It is essential for such a change to occur quickly, however. Otherwise, the progress that has been made over the past four years may be lost.

There are now just two months left to complete the Uruguay Round before the negotiating authority conferred on the Bush administration by Congress runs out. Given the technical work that remains to be done, it may be necessary for Congress to renew this authority.

Any extension should be short-lived. The congressional deadline provides a useful discipline for talks that would otherwise drag on interminably. A long extension would relax the pressure on all participants. Moreover, it would almost certainly carry unpleasant conditions, in the form of mandatory unilateral action against countries deemed to trade unfairly.

With goodwill all round and some real movement in negotiating positions this month, the negotiations could quickly reach the point at which a successful outcome is within grasp. Congress would then be justified in voting a short extension without any strings. Extra time must be short. Otherwise, the game will be lost, with no hope of a replay.

Famine in Africa

IMPENDING famine in the Horn of Africa prompts *déjà vu* and provokes some pressing questions about the role of the outside world.

Drought and civil war have left 15m people in Ethiopia and Sudan facing severe food shortages. Just five years ago the same combination of circumstances put millions of Ethiopians at risk of starvation. As many as 1m people died; more would have perished but for international assistance. Unless the 1984-85 rescue operation is repeated another disaster seems inevitable.

Humanitarian imperatives demand a generous response to the appeal due to be launched next week by British aid agencies. It will include a plea for aid for three other countries in acute distress: Liberia, Angola and Mozambique.

But the public will want to know why history is repeating itself in the Horn of Africa; and whether anything can be done to end what seems an endemic crisis.

The common threads that link five diverse countries is that all are wracked by civil war, and all have suffered from inept economic policies. Man has wrought far more damage than nature. The long term answers to African famine lie at the negotiating table and in the economics ministries of the region.

In Ethiopia the regime of President Mengistu Haile Mariam has done more harm than any drought. Its authoritarian style and its Marxist-Leninist dogma have stood in the way of negotiated settlements to the conflicts in the provinces of Tigray and Eritrea, and further undermined an already impoverished economy.

Policies that work

Yet Ethiopia provides encouraging evidence that economic reforms work. Peasant farmers' output has risen in response to the belated changes introduced earlier this year, such as the lifting of state controls on agricultural marketing and pricing. But this is not enough. The civil war disrupts production and impedes trade in the food surplus that unaffected parts of Ethiopia are enjoying.

Equally at fault is the military government of Sudan. It is dominated by Moslem extremists whose intolerant views fuel the war with the Christian south, and whose economic policy is the despair of international donors.

Civil strife

Drought is the immediate cause of the famine in the west of the country, affecting 5m people. But it is the civil war in the fertile south that has not only left a further 3m people in need of food, but has turned a *potentially self-sufficient* country into a famine-stricken land.

Whatever the nature of the regimes in power, the world cannot stand aloof as people starve. But the examples of Angola and Mozambique suggest that concerned governments can do more than provide emergency aid.

Here, as in Ethiopia and Sudan, it is civil conflict rather than the vagaries of nature which has left 2m people in southern Angola, and up to half Mozambique's 16m population, in urgent need of food and medical assistance. But in both countries the ruling party has disavowed Marxist-Leninist principles and pledged a mixed economy and a multi-party system.

These moves have paved the way to talks which, if recent progress is sustained, could bring peace to Angola and Mozambique for the first time in decades.

Many factors combined to bring this about. But not least has been the role played in Angola by the United States, the Soviet Union, and Portugal, the former colonial power and now the honest broker. The rapprochement between Washington and Moscow, critical to the Namibia settlement, has also enabled them to play a vital part in the Angolan negotiations.

Similar efforts should get under way in the Horn of Africa, no longer a zone of superpower rivalry. Only then will the region's civil conflicts stand a chance of resolution, and the root cause of famine be addressed.

As the US economy deteriorates, the key question for 1991 is how far the downturn will go, writes **Martin Feldstein**

The Fed's battle with recession

After hovering on the verge of a recession for several months, the American economy turned decisively downward in October and November. The number of employees on private payrolls fell by nearly 500,000 in those two months and industrial production dropped precipitously.

The important questions for 1991 are therefore how long the downturn will last and how far the economy will fall before the turnaround begins. Most US economists are predicting a short and shallow recession with the recovery beginning after less than the 13-month average of all post-war recessions and with a smaller than average cumulative decline from peak to trough.

An important reason for believing this rather favourable outlook is the relatively benign posture of the Federal Reserve Board. The Fed did not actively seek a recession at this time and would now like to return to economic expansion. The situation is thus very different from 1981 and earlier recessions when the Federal Reserve pushed interest rates up sharply in order to reverse a sharp rise in inflation.

But the Fed's good intentions may not be enough to ensure a quick reversal of the present decline. In spite of its desire to avoid a recession, the Fed's policy in 1990 did contribute to the current downturn and its actions in the months ahead may not be consistent with the forecast of a rapid rebound. To understand this risk, it is helpful to review the Fed's strategy and its actions in 1990.

For the past two years, the Fed has been seeking to reduce inflation gradually while avoiding an actual recession. In his biannual testimony to the congressional oversight committees, Mr Alan Greenspan, the chairman of the Federal Reserve Board, has repeatedly projected a monetary policy that was expected to be consistent with a gradually declining rate of growth of total nominal spending and therefore of inflation. In the autumn of 1989 he predicted that total spending in 1990 would increase by about 6 per cent, with inflation of roughly 4.5 per cent and real economic growth of 1.5 per cent. In July 1990, he reiterated this outlook for 1990 and projected that 1991 would see a similar rise in nominal gross national product with a slightly more favourable division between inflation and real economic growth. To support this growth of nominal GNP, the Fed projected that the M2 monetary aggregate (currency, checking accounts, plus savings and smaller time deposit accounts) would increase at a rate of approximately 4 per cent and explained why it anticipated the implied rise in velocity.

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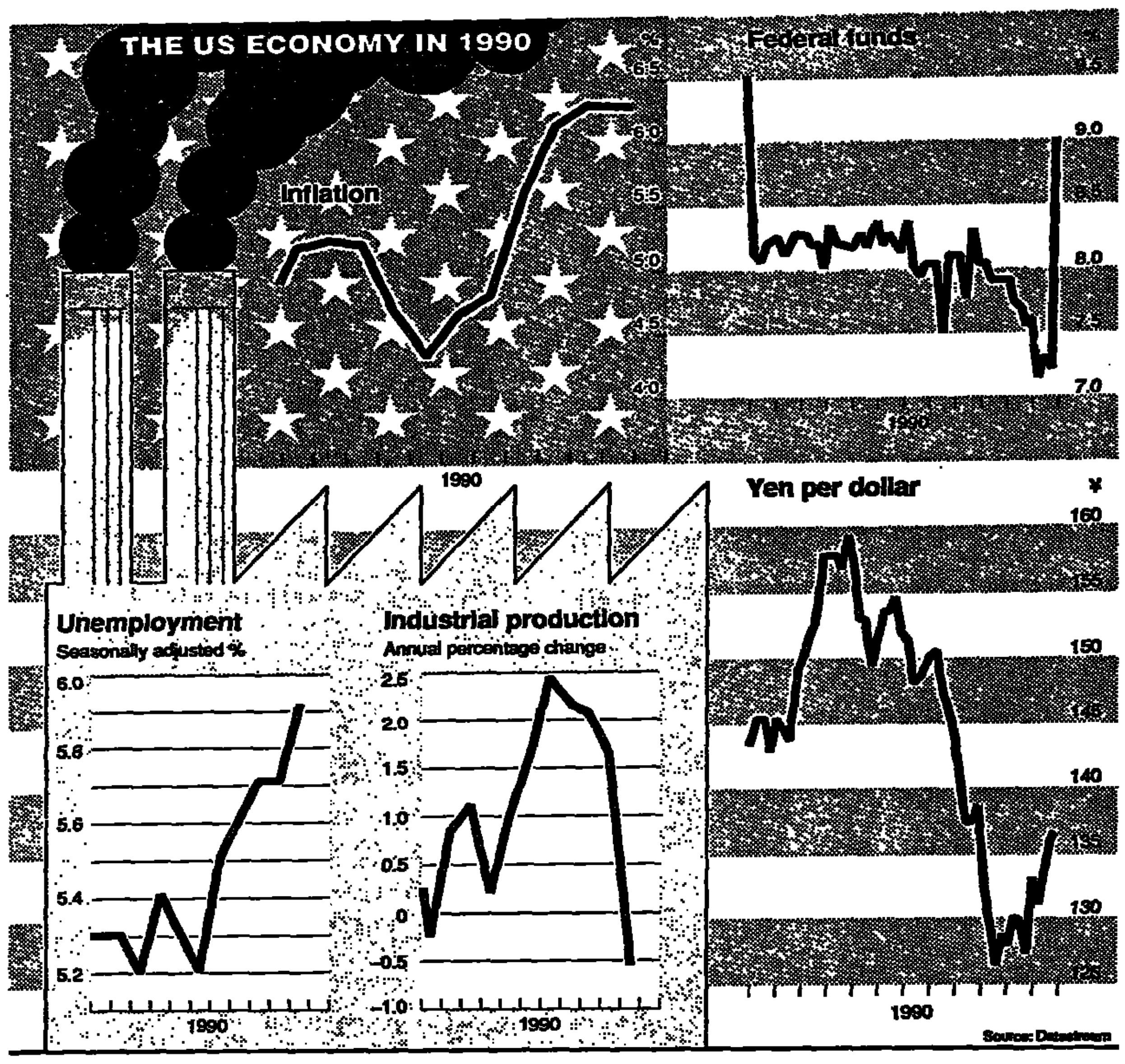
Iraq's invasion of Kuwait and the consequent rise in the price of oil inevitably made this outlook impossible. A direct pass-through of the higher oil price would raise the US price level by approximately 1 per cent. An unchanged growth of nominal GNP would, therefore, cut real GNP growth over the following year by approximately 1 per cent to only slightly more than zero. A more expansionary monetary policy might have sustained a faster rate of economic growth but only by accepting a greater increase in inflation and therefore risking a sharp rise in inflationary expectations.



Alternatively, a tighter monetary policy could have reduced the inflationary aftermath of the oil price rise, but only by pushing the economy into a deeper downturn. The Fed appears to have rejected both alternatives, accepting instead the temporary rise in inflation and decline in real growth that would accompany a steady-as-you-go approach to nominal GNP.

But even without the rise in the price of oil, the actual execution of monetary policy in 1990 was likely to have led to a downturn in real GNP by the end of the year. Perhaps because of its focus on short-term interest rates rather than monetary aggregates, the Fed kept the growth of M2 to less than 4 per cent. There has been no increase in the observed velocity link between M2 and subsequent nominal GNP. In the absence of such an increase, nominal GNP would expand at an annual rate of less than 4 per cent in the final quarter of 1990 and the first quarter of 1991 and therefore real GNP would decline.

The outlook for economic activity in 1991 depends critically on both the price of oil and the Federal Reserve's monetary policy. The optimistic case for a short and shallow downturn assumes that oil prices do not increase further and that the Fed pursues a monetary policy that is sufficiently accommodative. If the price of oil remains at its current level and the Federal Reserve provides enough credit to support 6 per cent growth of nominal GNP, the economy is likely to begin expanding by the summer and to enjoy a real growth rate of more than 2 per cent in the second half of the year.

The uncertainty over oil prices imparts a corresponding uncertainty to the pace of real economic growth. Stable oil prices at even the current elevated level would allow the economy to return to the mix of real growth and inflation that the Fed had projected before the initial jump in oil prices. Although the high level of energy prices does depress the purchasing power of US households and may reduce output in some manufacturing industries (because of the higher cost of energy inputs), a stable, high price of energy will not diminish the rate of economic growth.

A fall in the price of oil along the path implied by the futures market would depress inflation further, bringing the rate of inflation to 3 per cent or less by the middle of 1991. The resulting rise in purchasing power would induce increased consumer spending and a faster rise in real GNP. Conversely, a sharp jump in the price of oil caused by an Iraqi attack on Saudi oilfields would exacerbate the current inflation and cause a longer and deeper decline of economic activity.

The slow rate of expansion of the monetary aggregates in 1990 and the debates within the Federal Reserve now raise doubts about whether the Fed will provide enough credit to achieve its target of 6 per cent nominal GNP growth in 1991. There are four distinct reasons for concern.

● First, the Federal Reserve's use of the federal funds interest rate as a measure of monetary policy may inhibit the expansion of money and credit. Short-term interest rates are a poor guide to the adequacy of monetary expansion when the demand for money is changing. A decline in economic activity can cause interest rates to fall because the demand for funds declines rather than because the supply is increasing. If the Fed judges the extent by which it eases in 1991 by the decline of the Fed funds' rate, it may be misled into an overly-tight monetary policy. Although the Fed funds rate and other short-term rates have declined in recent months, the money supply at the start of December was actually lower than it had been three months earlier.

● Second, a failure to distinguish the temporary price surge caused by the rise in oil prices from a sustained rise in the rate of inflation may shift the focus from nominal GNP growth to inflation. Although the Fed has a primary responsibility to fight inflation, its strategy of reducing inflation gradually by slowing the expansion of nominal GNP remains appropriate. If members of the Fed's open market committee misinterpret the recent price rise as evidence that their strategy is not working, monetary policy may be inappropriately tight.

● Third, a desire to prevent the further decline of the dollar relative to the D-Mark and the yen could lead to an explicit decision to keep monetary policy tighter than it would otherwise have been. Although the dollar's decline during the past year has been substantial, a further permanent decline in the real value of the dollar is needed if the US is to shrink the trade and current account deficits that still exceed $100bn a year.

There are, nevertheless, Americans who resist a further fall of the dollar

Most American economists are predicting a short and shallow recession with the recovery beginning after less than the 13-month average of all post-war recessions

because they fear that a lower dollar will induce more foreign purchases of US assets. And the French government and some foreign individuals are calling for dollar stability to prevent a deterioration of their own international competitiveness.

A tight money strategy aimed at propping up the dollar would not only weaken domestic demand but, by arresting or reversing the dollar's decline, would prevent the substantial boost to GNP in 1991 that is expected to follow from the improvement in net exports caused by the dollar's continuing decline.

● Finally, there are the reductions in bank lending caused by the conflict between the decline in the banks' capital and the increase in both official capital requirements and regulatory stringency. Although open market operations may increase the ability of some banks to make additional loans, other banks may be unable or reluctant to do so. At a minimum, the uneven distribution of increased bank lending – with some banks not doing any at all – may weaken the impact of the Fed's expansionary policy. The Fed may, therefore, have to increase reserves and money faster in order to achieve expansion of nominal GNP.

The Federal Reserve's recent decisions to lower the Fed funds rate, to reduce reserve requirements and to cut the discount rate, all indicate that the Fed wants to reverse the current downturn. The big question for 1991 is whether it will actually pursue that fight aggressively enough to succeed.

The author is president of the National Bureau of Economic Research, Cambridge, Massachusetts.

OBSERVER

News Corp casualty

■ Rupert Murdoch, the over-borrowed media tycoon, has always had a lot of luck in the past in building up his News Corporation empire.

But when things start to go wrong, even he and his buccaneering team have difficulty sidestepping the dangerous thin ice and slippery slopes.

At the most critical time in the company's history, as bankers finalise the details of a $7.4bn (£3.9bn) refinancing agreement, Mr Murdoch has temporarily lost the services of his recently recruited right-hand man, Andrew Knight, executive chairman of News International.

Mr Knight and his family had been skiing with Mr Murdoch at Aspen, Colorado, over the holiday. Accounts differ over whether the former editor of The Economist hit a tree, a wall of ice, or tripped after a jump. He fell heavily and ruptured his spleen.

Mr Knight has been in intensive care for a couple of days after having his spleen removed, but is now recovering. He is due to leave hospital today and will soon return to work in London.

Mr Murdoch injured his leg skiing at Aspen three years ago and needed an operation, but has long since returned to the slippery slopes.

News Corp's share price, however, will only really start to recover from last year's horrific tumble when the signatures of all 150 banks have been collected for the refinancing deal.

Money-go-round

■ It is difficult to tell these days who is moving around faster, UK fund managers or their clients.

Latest example from the revolving door school of investment managers is 49-year old Peter Axten. He takes over as head of Lloyds Bank's investment management business this week, replacing Nigel Hurst-Brown, who defected to the much bigger Mercury Asset Management (MAM) last summer.

Axten and Hurst-Brown worked together at Hill Samuel Investment Management until 1986 when they went their separate ways; Hurst-Brown to Lloyds, and Axten to Midland Bank and then to Cigna 15 months ago.

Axten, who started as a stockbroker's messenger, says his last job was very much strategic and he missed the customer contact of the investment game.

To date, Lloyds Investment Managers has not been one of the stars in the Black Horse stable. The bank's own pension fund accounts for nearly half of its meagre £6bn of funds under management.

Clearing bank fund managers tend to suffer from a safe but boring image, says Axten. His first task is to market the business better, without sacrificing the group's better than average investment performance.

Then he plans to challenge investment giants like MAM and Fidelity for the high ground. Sounds like the sort of boast Midland Bank used to make.

One more time

■ New Year's Eve on British TV must have set some sort of record for opera buffs.

There were two different four-hour productions of Die Fledermaus on BBC2 and BSB satellite TV. Luciano Pavarotti, the world-famous tenor, made his film debut in Yes Giorgio, on Channel 4 and graced BBC1's Clive James show, in addition to helping say goodbye to "La Stupenda" in the Covent Garden production of Die Fledermaus.

"Do I get an MBE for this?"

Noises off

■ Few people expected Lord Crickhowell to take a modest role in Welsh affairs when he left the Commons at the 1987 general election.

As plain Nicholas Edwards, the secretary of state for Wales for the previous eight years had strong views on almost everything. But since the election he has, apart from a well-publicised spat with his successor Peter Walker, restricted himself to making life difficult for the newly-privatised water companies as chairman of the National Rivers Authority.

Suddenly, the old Edwards' irascibility has resurfaced, this time on behalf of one of his favourite pet projects – the Welsh National Opera Company.

When in office, Crickhowell had wanted to build an opera house in Cardiff's docklands and he sits on the company's board.

The latest target of his ire is Sir Peter Palumbo, chairman of the Arts Council, which has refused to top up its grant to the company. Crickhowell accuses Palumbo of being "prepared casually to slaughter a great company performing at the height of its powers". It is "too great a national treasure to be allowed to die," cries the Welsh Lord.

He will soon have the chance to put his views even more directly to Palumbo, who received a peerage in Mrs Thatcher's resignation honours list.

The two of them will be sitting on the same Conservative benches in the Lords, which should make for a new version of Neighbours.

Hot topic

■ What do research chemists most like to talk about at parties? The answer, according to an article in New Scientist, is explosions they've caused and how they survived them.

By contrast, they rarely write down the details of such achievements. One famous account stated baldly: "Compound X was placed in a desicator in the fume cupboard. Next morning the compound had disappeared. So had the fume cupboard."

The lack of detailed records means that the store of party chat is constantly renewed as chemist after chemist chances upon the same violent reactions. But one member of the profession now wants to spoil the fun.

P.G. Urben of Kenilworth, Warwickshire, is planning to update a neglected safety manual called the Handbook of Reactive Chemical Hazards, to be published by Butterworth Heinemann. He is urging chemists to contribute accounts of their explosions in enough detail to steer their fellows away from making the same mistake.

Already, however, astute chemists are pointing to an obvious snag. If they fall into unsuitable hands, how-not-to books like the one proposed can be used the wrong way round.

David Currie assesses the problems the British economy faces in adjusting to ERM membership

A year of retrenchment ahead

The past year has witnessed a profound shift in the conduct of British monetary policy. Entry to the exchange rate mechanism (ERM) of the European Monetary System on October 8 marked the end, after nearly two decades, of the independent conduct of monetary policy. Instead, monetary policy now needs to follow the European, notably German, lead.

After the dismal performance of independent UK monetary policy in the 1970s and 1980s, ERM membership will provide a stable, low inflation macroeconomic framework for the 1990s and will thus help industrial performance by reducing uncertainties. But the problems of adjusting to membership mean that the British economy faces a hard year in 1991 and slow growth in 1992. This provides an uncomfortable background in the lead-up to the general election.

Through 1989 and the first half of 1990, the principal policy concern was whether, and when, the policy of high interest rates, in force since 1988, would slow consumer spending and reduce inflationary pressures in the economy. Against this background, the main fear was that ERM entry would generate excess confidence in sterling, leading to a sharp rise in its value and the necessity to cut interest rates prematurely to keep sterling within its ERM band.

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Rather cruelly for the government, the real dilemma has turned out to be the opposite. Confidence in sterling rose for a few hours or days, but then evaporated. Sterling's slow slide towards the bottom of its wide band makes early cuts in interest rates less likely.

What has gone wrong? A common and plausible answer is that the government has brought the problem on itself by the manner of its entry to the ERM.

By cutting interest rates on announcement of entry, rather than first entering and cutting rates afterwards when sterling rose, the government gave the impression that its sole reason for entry was to bring interest rates down, rather than a commitment to exchange rate stability itself. That impression was probably true only of the leading member of the government, but it remains after her passing. The consequence is a catch-22, which the new chancellor, Mr Norman Lamont, has quickly learnt: the government can only cut interest rates if it appears not to wish to do so.

If this is the explanation, then the chancellor can overcome his difficulties by holding firm on interest rates, and demonstrating his commitment, in action as well as words, to the current ERM bands. In time, the initial unfavourable impression will fade, and some scope for interest rate cuts should emerge.

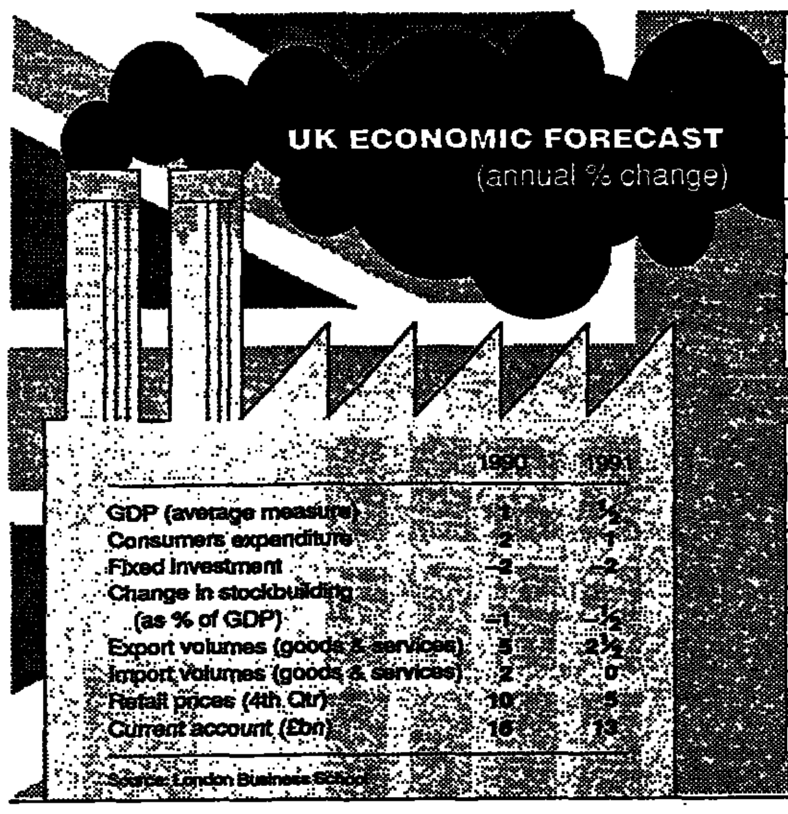
This is a test of nerve, particularly in a pre-election period. But it is no different from the test that Mr John Major faced after Mr Nigel Lawson's resignation: he held firm in the face of sterling weakness and saw a recovery in confidence in the ensuing months.

An alternative, and less palatable, explanation points to the large and *continuing current account deficit*, which was running at about 3 per cent of gross domestic product in 1990 and is likely to exceed 2 per cent of GDP in 1991, though it should decline slowly thereafter. If financial markets expect that ongoing deficits of this size will force an eventual realignment of sterling within the ERM, then a large risk premium on sterling may endure.

In fact, a devaluation will not help much, and there is little alternative to a period of slow growth to curb the external deficit. But as long as the external deficit endures, it may well be hard to remove the expectation of devaluation. This will in turn curtail appreciably the scope for interest rate cuts, though we may see a ½ per centage point reduction before the Budget and a further ½ per centage point cut later in the year.

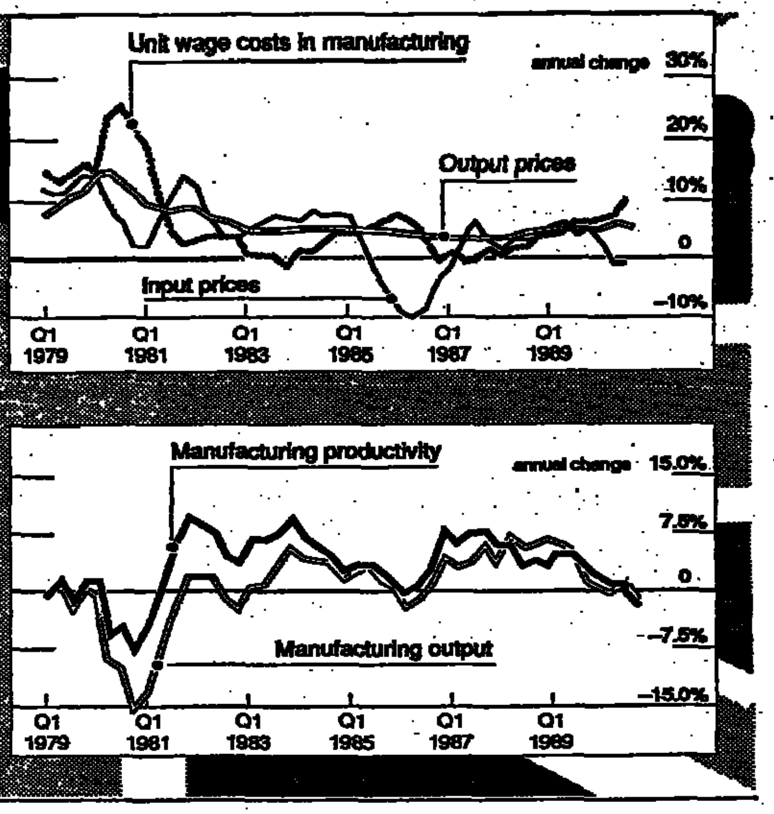
The current level of interest rates is already depressing demand, and this will therefore continue. Consumer spending fell in the third quarter of last year, demonstrating that high interest rates are finally biting on households. With slower growth in real personal disposable income, falling during 1990 from a *growth rate of 4 per cent to 1½ per* cent, and static in the first part of last year, consumer spending is likely to grow by about 1 per cent in 1991, compared with a likely outturn of around 2 per cent in 1990.

High interest rates are also biting tightly on the corporate sector, especially those companies that borrowed heavily in the boom years of 1987-89 and which now suffer from *high debt service burdens. The corporate* sector deficit rose to well over £20bn in 1990, and corporate treasurers are seeking to cut this deficit sharply. The necessary consequence is a hard look at investment plans, stock holdings and



	1990	1991
GDP (average measure)	1	½
Consumers expenditure	2	1
Fixed investment	–2	–2
Change in stockbuilding (as % of GDP)	–1	–½
Export volumes (goods & services)	5	2½
Import volumes (goods & services)	2	0
Retail prices (4th Qtr)	10	5
Current account (£bn)	16	13

Source: London Business School



employment, all of which are set to fall.

Investment started to turn down earlier than consumption in the second quarter of 1990, and investment intentions suggest that it has further to fall. It seems likely, therefore, that we will see a 2 per cent decline in total investment this year, following a similar decline in 1990. The decline in investment will occur particularly in housing, which has been falling since the beginning of 1989, and in manufacturing, while public investment will remain more buoyant. Companies are likely to run down stocks faster in 1991 than in 1990, as financial pressures increase.

It seems likely that we will see a 2 per cent decline in total *investment this* year

All this adds up to a very gloomy outlook for domestic demand, which fell in 1990 and will continue to stagnate through much of next year. In 1990, external trade provided some relief, especially to manufacturing, with exports growing very much faster than imports. A striking illustration of this which shows that the 2.95 parity against the D-Mark is not too high is provided by the UK-based car industry. After years of losing international market share, the volume of car exports rose by more than 30 per cent in the year to last October, while import volumes fell by 16 per cent, slashing the trade deficit in cars by one third.

Prospects in international markets now look less good, with the US moving quickly into recession, so export performance is likely to tail off (though the European market remains more buoyant). But since imports will also be very depressed, net exports will continue to contribute to growth during 1991.

Although this adds up to a year-on-year growth that is positive, though barely so at about ½ per cent, this obscures the fact that the economy is in serious recession. Thus, GDP has fallen from its level in the second quarter of 1990, and is *only likely to rise above that level* in the second half of this year. And if confidence continues to be seriously depressed, perhaps because of adverse developments in the Middle East, the recession could well be more severe than these estimates suggest.

Is it possible that the UK is heading for a recession as bad as or worse than that of 1980-81? Can any credence be given to the more extreme view expressed by Sir Alan Walters that the recession could be worse than that of the 1930s?

The latter view seems implausible: the depth of the 1930s slump came not just from the collapse of domestic demand, but also from a *general world slump resulting from* a collapse of international trade. The recent failure of the General Agreement on Tariffs and Trade talks is very damaging. But with Japan continuing to grow, though more modestly, and with Germany growing fast, the Organisation for Economic Co-operation and Development was right to argue recently that the prospects of a worldwide slump are minimal.

But this does leave the possibility that the present recession will be as deep as that of 1980-81. The key here is how quickly wage and price *behaviour adapts to the need to* compete at a fixed exchange rate with European rivals.

Mr Major said that "if the policy isn't hurting, it isn't working". Policy is now hurting a great deal, but that provides no assurance that the policy is working. The key question is whether companies can contain their unit wage costs, which were rising at well over 10 per cent in the third quarter of 1990.

In the 1980-81 recession, unit wage costs in manufacturing were rising at more than 25 per cent, but fell sharply to an increase of between 4-5 per cent in 1982. The task this time is more modest: that *of cutting the growth of unit labour* costs from 10 per cent to about 2-3 per cent. This adjustment will clearly be painful, but the smaller scale of the adjustment, the fact of ERM membership, and the fact that the memory of 1980-81 is still clearly in the minds of industrialists and *wage bargainers all give some* grounds for expecting a less severe recession.

The current level of interest rates is already depressing demand, and *this will continue*

The present UK recession also contrasts with that of 1980-81 in being rather more balanced. In 1980-81, the strong appreciation of sterling meant that manufacturing industry was hit very badly, whereas the sheltered service sector emerged relatively unscathed. This time, the impact on manufacturing is more patchy, as the fortunes of the car industry illustrate, while large parts of services, including financial services and retailing, are under severe pressure. The wider spread of the recession may well be helpful in increasing the speed of adjustment.

A key question in adjusting to German inflation rates within the ERM is the performance of UK productivity, which is well below that of the main European competitors. After strong growth in manufactur*ing productivity* through the 1980s, productivity performance has tailed off badly as output growth has slowed (see charts). If productivity performance continues to slide, then the squeeze on corporate profitability, already acute, will be intense and the necessary adjustment in wages all the greater. The coming year provides an important test of whether there really has been a supply side improvement in British industry during Mrs Thatcher's years of government.

In the light of this gloomy scenario, what options does the chancellor have? Mr Lamont's hands are firmly tied over monetary policy: interest rates must be used to keep sterling within the ERM band. He has the option of moving to a narrow band, retaining the current floor of 2.78 against the D-Mark, and moving the central parity down accordingly. This can be presented, as the Italians did at the start of 1990, not as a devaluation but rather as a strengthening of the UK commitment to the *ERM*. By increasing the credibility of the exchange rate commitment, it may well also provide the opportunity for a welcome cut in interest rates.

But to envisage any devaluation beyond this would be a serious error of policy, throwing into jeopardy the credibility of government anti-inflation policy. It would, therefore, be very unwise for companies to plan on the basis that a devaluation will let them off the hook.

Mr Lamont will also face calls for a relaxation of fiscal policy in the Budget. He would be unwise to heed these calls. The experience of past recessions is that the clamour for expansionary fiscal policies usually *coincides* with the spontaneous recovery of the economy from recession. The chancellor should recognise that there is little that he can now do to influence developments positively during 1991. It will take nerve to hold firm on the exchange rate as the economy moves further *into recession, but that represents* the best available course of action.

The author is professor of economics, dean of research and director of the Centre for Economic Forecasting at London Business School.

LETTERS

Bush and Chamberlain: the lesson to be learned

From Mr David Sawers.

Sir, President Bush likes to draw comparisons between the present situation in the Middle East and that in Europe in the 1930s, and to suggest that the relevant lesson is that aggressive dictators should not be appeased.

While this is one lesson – *which should have been* applied to western policy towards Iraq before it invaded Kuwait, and should now be applied to policy towards Syria – it is not the most relevant lesson from the 1930s.

This is the need for policies to be consistent if they are to be believed. Neville Chamberlain abandoned his policy of appeasing Hitler after the German occupation of Czechoslovakia in March 1939; but, because this change in policy was so radical and Hitler was *poorly served* by his foreign minister, Hitler did not believe the change had occurred. Mr Bush has made an equally radical change in policy towards Iraq since its invasion of Kuwait, and has also made many smaller changes in policy in the intervening five months – such as offering to talk to the Iraqi government after persuading the UN to pass a virtual ultimatum.

After this display of vacillation, Mr Bush then expresses surprise that, "for some odd reason", Saddam Hussein has not got the message that the west is prepared to use force to eject Iraqi forces from Kuwait. His actions and reaction suggest that he, like Chamberlain, is an amateur in foreign *affairs. And, just as Chamber*lain was ignorant about European affairs and could not understand Hitler's thought processes, Mr Bush shows little sign of understanding the attitudes of the Islamic world.

This combination of ignorance and incompetence is dangerous in the leader of the most powerful country in the world. It is a reminder of comments often made during the last American presidential election, that the quality of the candidates offered for nomination and election was alarmingly low. In the short term, it is to be hoped Mr Bush will take an intensive course in diplomacy and history; in the longer term, people in western democracies should consider how politics can be made more attractive to the able.

David Sawers,
Crosby, 10 Seaview Avenue,
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Littlehampton, West Sussex

Listen to those at the sharp end

From Mr D.L. Howson.

Sir, The recent changes in government gave the new chancellor an opportunity of reducing interest rates – let us hope he has not squandered it by waiting too long. As someone whose company is closely involved in the insolvency business, I hope the chancellor understands what it means to a business to have to pay 14 per cent plus a risk factor of 2 or 3 per cent to fund his capital. It does not exactly give him a competitive edge in Europe.

At those rates most traders are struggling for survival, with the failure rate growing to awesome levels.

Demand for many retail items, particularly carpets, furniture and wallpaper, depends on a flourishing housing market. The housing market has been killed by high interest rates. Companies at both ends of the scale – building contractors to retailers – are suffering badly.

No sector is left unscathed, but the lasting damage filters through to the manufacturing industry. The UK needs to keep, nurture and encourage the few manufacturing industries that have managed to survive. *That is the key to the* future.

We are no longer merely discussing the survival of the fittest, for we can see relatively sound businesses going to the wall – partly as a result of the often unexpected domino effect. The recession is already biting hard, so please, Mr Chancellor, listen to those at the sharp end and act now.

Mr D.L. Howson,
director and underwriter, Trade Indemnity Group plc,
17-34 Great Eastern Street, EC2

Education and training: the anomaly in funding arrangements

From Mr Brian Jarvis.

Sir, Dr Ron Johnson's call for a training levy and the LSE report on the lack of funding for Tecs ("Industrial bias seen in study of first Tecs", December 3) both highlight what seems to be an anomaly in our funding arrangements for education and training.

Had my son decided to leave school at 16 and take up an engineering apprenticeship, the costs of his training would have been met by his employer, and his living costs met from wages with some support from parents.

However, he decided to stay on at school for a further two years and go to university to read for a degree in engineering; and consequently the government *paid all* tuition and training costs and only part of his living costs were met by parental contribution.

I cannot see the logic in this as both routes are industrial training routes. Surely it is time we regarded training for 16–18 year olds in the same way as education and training at university, as a charge on public funds.

Brian Jarvis,
Ashanti, Lower Road,
Chorleywood, Herts.

Difficulties faced by smaller businesses

From Dr Sarah A Vickerstaff.

Sir, If Tecs are to persuade *small businesses* to improve their training record, as your article suggested ("An urgent need to turn the tide of history", November 26), recent research by the Canterbury Business School into small firms' training activities in Kent indicates that Tecs will have to address the particular problems of smaller businesses head-on.

The companies in our study, whatever sector they were in, experienced similar difficulties in terms of resourcing their *training effort, finding appro*priate training and managing their training activities effectively.

Our research also showed that small firms find it difficult to assess the training on offer in the open market. Tecs could do much to help small companies communicate their needs to training providers.

Tecs also have much to offer in setting up a network of quality control and assurance, as small firms are often bemused by the range of courses being offered.

However, perhaps the single most important task for the Tecs is to help small companies improve the return on current investment in training rather than simply urging greater expenditure. If training in small companies is to be improved in the long run, the basis for it must be the upgrading of what we can call the "training capability" of the organisation.

Sarah A. Vickerstaff,
Canterbury Business School,
University of Kent,
Canterbury, Kent

The problem of 'wage creep'

From D. O'Shea.

Sir, Brian Reading's letter ("And the human scrap-heap waits", December 18) about the British limitation of choice between inflation and unemployment is right on the point. I would agree with him that a Royal Commission might examine our problem, in the sense that it should be taken out of politics to start with.

But I think that one of the conclusions of such an investigation is already obvious: the lack of skills in the UK workforce. Our "wage-creep" is largely a function of supply and demand. We need larger supplies. We need many more "City Colleges", and for that, we need to spend a lot of money for a long period.

There is no short cut. Studies on comparative standards in education and training show how far we are behind our competitors, and also how long it took the French to make up some of the leeway against Germany in this respect. It could be argued that the French effort was the response to an acceptance of the ERM, its disciplines, and thus the need for fundamental measures in productivity.

We should accept this also. There are many social, political and financial obstacles in the way of consensus, but we must attain this before the effort can be made.

D. O'Shea,
93 Palewell Park, SW14

FINANCIAL TIMES
Wednesday January 2 1991

'SACRED TASK' FOR SOVIETS

Gorbachev urges people to preserve union

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev, in a grim new year message to the Soviet nation, yeasterday called on the people to regard the preservation and renewal of their united country as their most "sacred task".

His broadcast came only hours after his major political rival, Mr Boris Yeltsin, the president of the Russian parliament, forecast "a little bit of stabilisation" in the coming year.

The majority of Soviet citizens yesterday managed to celebrate the new year holiday in traditional style, despite the chronic shortages plaguing the state supply system.

Although the state shop shelves are empty, high-priced markets in Moscow were bulging with meat, fruit and vegetables on New Year's eve.

Several hundred enthusiastic revellers converged on Red Square to greet the new year in cheerfully drunken style, ddespite the apparent shortage of wine and vodka in the capital.

Mr Gorbachev admitted that the past year had been one of the toughest in Soviet history, but urged people to press on with "responsibility and discipline, conscientious work and humaneness".

"For us all, the Soviet people, there is no more sacred task than to preserve and renew the union, in which all nations will live freely and well," he said, underlining the single greatest challenge he faces in the coming year.

In a separate message to the US he sought to reassure an increasingly fearful international community that his reforms were still on course, despite a series of moves to accommodate conservative forces.

"The outgoing year has been difficult for the Soviet people, but it was a year of basic changes in society, a year of most difficult but necessary decisions," he said.

"They will enable our great country – and it will remain great – to overcome the crisis situation and make big strides towards stable and democratic progress."

Despite his determined optimism, the Soviet leader faces rough and complex negotiations with the 15 union republics over the coming weeks as he battles to lay the foundations for a renewed union treaty.

Although Mr Yeltsin was reassuring in his radio broadcast, his own parliament has just approved a Russian budget which would leave the central government effectively bankrupt. Both Mr Gorbachev and the Republican leaders, including Mr Yeltsin, have been given until January 10 to sort out their budget conflict, and reach a temporary economic agreement.

A new year message also came from Marshal Dmitri Yazov, the minister of defence, who underlined the huge social and financial challenge still facing the Soviet armed forces.

While the military had scrapped 96.4 per cent of its medium-range nuclear missiles, and unilaterally reduced its strength by 500,000 men in 1990, he said, 177,000 military families were still waiting for their own apartments.

He told Tass that 24m sq metres of housing were supposed to be built for the armed forces over the next five years, with 2m sq metres paid for by Germany.

Marshal Yazov said 1991 would see the complete withdrawal of Soviet troops from Czechoslovakia, Hungary and Mongolia, and the beginning of "large-scale relocation of troops to Soviet territory from Germany".

Mikhail Gorbachev delivers his message to Soviet viewers

Change in EC council signals shift in style

By David Buchan in Brussels and John Wyles in Rome

THE presidency of the European Council of Ministers, which yesterday changed from Italy to Luxembourg, is no longer the determining force it was in quieter times.

Holders of the six-monthly rotating EC chairmanship have recently found themselves bobbing along on a tide of events – German unity, Soviet disintegration, the Gulf crisis – which have been hard to control.

Nor is the next half year likely to bring sufficient tranquillity for the imposition of any "grand design" for Community affairs by the Luxembourg presidency, even if it had one.

The handing over of the baton from Italy, a large country with exceptional ambitions for the Community and an extravagant way of putting them forward, will mean more a change of style than of substance.

Luxembourg shares many of Italy's goals for the EC, but its very different temperament and its diminutive size guarantee that it will operate at a far lower key.

It is on the international stage that the change of presidency will be most noticed. This Friday, Mr Jacques Poos, the Luxembourg foreign minister, will chair a meeting of fellow EC foreign ministers on the Gulf crisis.

He may well find himself asked to fill the gap in US-Iraqi diplomacy by going to Baghdad himself.

Luxembourg, with a total population of 380,000, has no embassy in Baghdad, nor in any other Arab capital, leaving representation of its interests there to the Netherlands, which takes over the presidency from July 1.

But, even with Dutch help, Luxembourg officials admit that external events like the Gulf will stretch them.

Also on Friday, another headache may start to trouble the Luxembourg presidency when the European Commission meets for a first discussion of how to reform the Common Agricultural Policy (CAP) in such a way as to break the impasse in the Gatt trade talks with the US.

Mr Jacques Delors, the Commission's workaholic president, has been using Christmas to hone ideas for helping EC farmers more by paying them cash directly, rather than propping up the market prices of their produce.

Luxembourg dislikes these ideas almost as much as such hardline defenders of the CAP as France and Ireland, but it will have to put its distaste aside if it is to preside over reforms that could yet save the Gatt talks.

While the Gulf and Gatt are problems which Luxembourg hopes will go away, the intergovernmental conferences (IGCs) on political and on economic and monetary union will last through and beyond its stint in the Council chair. Mr Poos has said he wants to "button down" agreements on most of the issues by the end of June. This would leave no major difficulties for the Dutch presidency, which itself aims to wrap up the negotiations by October.

Luxembourg itself has little problem with the agenda of the IGCs. It pooled its monetary sovereignty with Belgium in the inter-war period. The only aspect of political union it will baulk at is the proposal for all EC expatriates to be allowed to vote in their host countries' local elections; one quarter of the grand duchy's population comes from other EC states, mainly Portugal.

In terms of completing the single EC market, Luxembourg will, as president, have to keep the Commission's proposals for VAT and excise tax rate approximation in front of the Council, even though as a country it would like to bury the whole dossier deep in the Ardennes.

The Italian presidency's achievement on single market legislation was not outstanding.

Rome also failed to keep its promise to speed up its own internal processes so as to remove the stain on its reputation of having one of the worst records for putting Community laws on to the national statute book.

Nevertheless, Mr Giulio Andreotti, the Italian prime minister, and Mr Gianni De Michelis, his foreign minister, were justifiably satisfied at the close of the Italian presidency at having attained the key objectives of launching the two IGCs at last month's Rome summit. If the Twelve succeed in making a qualitative leap towards monetary and political union, the preparations made during the Italian presidency will be seen to have been crucial.

Mr De Michelis' shrewd grasp of international events also enabled Italy to steer the Community towards coherent and effective reactions to the Gulf crisis.

He seized on the opportunity the crisis offered to put the question of security and defence collaboration firmly on to the EC's political agenda, even if in rather more ambitious terms than are likely to be achieved by the IGC on political union.

The Italian political class as a whole has to be credited with performing the valuable service to the EC of sustaining Mr Andreotti's coalition in power throughout the six-month presidential term.

The government has been badly buffeted by a number of domestic political storms which in other circumstances could easily have brought it down.

Now the self-denying ordinance has been lifted, and Mr Andreotti may soon find himself swept away by that Italian genius for confecting political crises.

MR Jacques Poos (pictured left), Luxembourg's foreign minister, is the new man in the Community hotseat, both with regard to Gulf diplomacy and negotiations on political union writes David Buchan in Brussels.

He is a northern contrast to his immediate predecessor in the EC presidency, Mr Gianni De Michelis, a southern Falstaff with energy and imagination that ran too far for some.

Although a socialist like Mr De Michelis, Mr Poos is his antithesis. His dry, courteous manner bears more of the mark of the banker he was in the early 1980s, as director of Paribas' Luxembourg subsidiary, than the journalist he was briefly with the Tageblatt newspaper before starting his political career.

His interests, apart from hiking in the Ardennes, appear to be largely economic, starting with his doctoral thesis on Luxembourg in the Common Market. He has since written several works on Luxembourg banking. Since 1984 he has been the top socialist in the ruling coalition with the Christian Democrats, under Mr Jacques Santer, prime minister. Up to 1989 Mr Poos also doubled as economics minister, a portfolio now held by Mr Robert Goebbels.

Harrods in fashion deal with Mitsubishi

By John Thornhill in London

HARRODS, the London department store, has signed an agreement with Mitsubishi Corporation, the Japanese trading company, to sell men's and ladies fashion goods through "signature stores" in Japan.

Mitsubishi is currently negotiating with several Japanese retailing groups with a view to opening Harrods outlets within their department stores. It is hoped that about a dozen such shops will eventually open, producing annual sales of up to £50m ($96.5m) within five years.

Harrods already sells food products through nine outlets in the Mitsukoshi department stores in Japan, generating sales of almost £20m a year.

Mitsubishi will import a range of products and accessories from the Harrods Collection while other clothing items will be manufactured in Japan for Mitsubishi as a Harrods licensee.

Mr Nobuo Kobayashi, chairman of Mitsubishi Corporation UK, said Harrods represented "the taste of England".

Harrods has always opposed opening new department stores abroad fearing that this might dilute the cachet of the 140-year-old store in the Knightsbridge area of London. But the store has promoted the Harrods brand internationally by opening small "signature shops" in international airports such as Frankfurt in 1986 and Heathrow last year.

It will open another of these stores at Toronto airport next month. It also has shops onboard the QE2 liner and the Queen Mary, moored at Long Beach, California.

The Japanese have developed a keen appetite for western luxury goods in recent years. In the UK, this has led to the Japanese Renown group buying Aquascutum, the fashion chain, and Aeon Group forging a trading partnership with Laura Ashley, the fabrics, frocks and furnishings company.

Harrods believes that its clothes will sell well in Japan and it has carefully analysed the purchases made by Japanese businessmen and tourists at its Heathrow store. By matching purchase receipts and boarding passes, Harrods has been able to determine which are the most popular goods among Japanese.

Mr Mohamed Al Fayed, Harrods' chairman, said that Harrods was a "magic" name and that the company was keen to exploit it internationally.

The House of Fraser group, which owns the Harrods store, has been dogged by controversy in recent years.

Nigeria to cut interest rates in advance of military handover

By William Keeling in Lagos

NIGERIA'S military government plans to cut interest rates and increase foreign exchange allocations in an effort to boost the economy ahead of next year's handover to a civilian administration.

Announcing these and other measures yesterday, including a doubling of the country's minimum wage, President Ibrahim Babangida reaffirmed the government's insistence that servicing of the country's $34bn external debt would be limited to 30 per cent of export earnings.

In a new year address in which he outlined Nigeria's 1991 budget, the president was cautious about world prices for oil, which accounts for around 95 per cent of export earnings. The budget assumes an average daily price of $21 per barrel in 1991. Nigerian production is currently 1.9m barrels per day.

Mr Babangida made clear that after nearly five years of tough economic reforms, it was time for government to relax the austerity programme.

"The pains of structural adjustment have continued in some areas, an unfortunate but inevitable situation which must be addressed by alleviative and ameliorative measures," he said.

Commercial lending rates are expected to fall by a third over the coming week as the new policies, yet to be detailed, are implemented. Lending rates among the nation's 109 banks currently average 30 per cent. Although inflation is probably more than the official figure of 12 per cent a year, Nigeria has one of the highest real interest rates in the world.

A Central Bank official said yesterday that the new base rate would be around 14 per cent. Commercial and merchant banks would then be allowed to add a further 2 per cent for administrative costs, and up to 4 per cent as commission.

The move comes just a few weeks after changes which make the daily foreign exchange auction more competitive. Banks bid for the hard currency made available by the Central Bank. From eight naira to the dollar in mid-November, the rate has fallen to a highest bid last Monday of 9.25 naira.

The currency is expected to stabilise, however, as a result of Mr Babangida's announcement yesterday that there is to be a 26 per cent increase in the foreign exchange offered at auction. This will make $5.4bn available in 1991.

This has been made possible by higher than expected oil earnings. The 1990 budget was based on an export price of $16 a barrel, but Nigeria's high quality oil has fetched as much as $40 a barrel since Iraq's invasion of Kuwait in August.

The extra foreign exchange will lead to higher imports of spare parts, raw materials and equipment for Nigeria's hard-pressed industrial sector. But analysts believe that the government risks a rise in inflation.

A further inflationary factor could be the doubling of the minimum wage. Although many workers are already paid the revised rate of 250 naira a month, the increase could set off a round of general wage bargaining.

Most businessmen believe that the overall economic climate remains fragile. Gross domestic product in 1990 rose by 5.2 per cent, a slight drop on 1989 despite significantly better than projected oil earnings, and is forecast to rise 6 per cent this year.

But Mr Babangida's warning that drought would cause food shortages this year, and large public sector spending on projects such as the multi-billion Ajaokuta steel plant could strain government's resources.

Background, Page 4

THE LEX COLUMN

Saddam and the bond markets

As the markets brace themselves for the rigours of 1991, the big issues worrying them are significantly different from this time last year. Then the chief concern was inflation, followed by the distant possibility of recession and the astonishing events in eastern Europe. Inflation has since been tackled the hard way, with recession now a reality throughout the English-speaking world. Eastern Europe – the Soviet Union perhaps excepted – has proved more peaceable and less costly than expected. But the two chief worries for the markets now – the Gulf crisis and the risk of a world credit crunch – were not there a year ago at all.

These two issues are in one important sense interlinked. A peaceful outcome in the Gulf would mean a further reduction in inflation through a lower oil price. This would allow an easing in monetary policy around the world, thus taking pressure off the banking system. War in the Gulf, while incalculable in its general effects, would be pretty certain to mean the reverse.

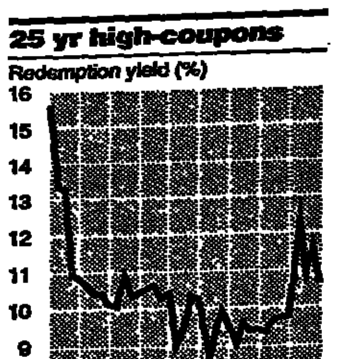
Faced with a proviso on that scale, the equity markets must proceed in the dark. But there is an important underlying question: whether the US and UK markets in particular are being held back by uncertainty from the recovery which might normally be expected at this stage of the economic cycle. In the US the answer will largely depend on the bond market, which we will come to in a moment. In the UK the position is direly complicated by a separate issue, the operation of the ERM.

ERM blues

With the UK now entering its third recessionary quarter, the equity market is classically overdue for recovery. But it begins to look as if the recession is becoming entangled with the disciplinary effects of the ERM in a way the market may not have bargained for. Other recession-hit economies, the US in particular, can tide themselves over by exploiting the continuing growth of more fortunate neighbours such as Germany and Japan. The UK risks being cut off from that growth by the strength of its currency.

For both equity and bond markets in the UK, the question of the government's attitude to the ERM is of central importance to this year's outlook. If the anti-inflationary stance is to be maintained at all costs as it was a decade ago, so much the better for gilts. In the long run equities must gain as well; but not in the short, since the recession will be longer and deeper than is presently in the price. Nor can it be assumed that in a permanently less inflationary environment equities would command the same premium relative to gilts as before.

25 yr high-coupons



Profits share

There is another reason for not assuming too readily that when the recovery in equities does arrive it will restore the valuations of the previous decade. In the second half of the 1980s in particular, the strength of the equity market was based on an unsustainable increase in the proportion of UK output accounted for by corporate profits. According to Phillips & Drew, trading profits as a share of GNP hit a peak of 18.1 per cent in 1988, having been 14.5 per cent four years earlier. It was primarily because of this that dividends could rise by an astonishing 11 per cent a year in real terms in the period 1985-89.

Although that sort of growth is unrepeatable, it remains hard to shake off the impression of underlying strength in the UK market. Over the past month, analysts have been hacking back their profit forecasts for this year with increasing desperation. The market as a whole has held up regardless. If the Gulf crisis were somehow magically to clear itself up with the expiry of the UN deadline on the 15th, the January rally would be on with a vengeance.

If not, it is conceivable that 1991 could turn out the year of the bond, as 1990 was the year of cash. A worldwide rally in bonds has been under way for several months now. Last September the yield on Japanese bonds was almost 9 per cent. By Christmas it was 7 per cent. The case for the rally rests on the assumption that the tight money policy prevailing around the world will be gradually relaxed this year, either because of falling inflation or because – as has already happened in the US – the state of the banking system scares the authorities into lower interest rates.

Neither of these should be taken for granted. The threat of a surge in the oil price remains. Nor is it quite clear that inflation is under control in Germany and Japan. But if, for instance, agreement were reached on the GATT, it would involve gaining control of EC farm spending and thus reducing European food prices. And while the banks deserve little sympathy for the troubles they have brought upon themselves by excessive credit expansion, the fact remains that interest rates in the worst-hit economies must eventually be brought down if credit is not to dry up altogether.

Supply threat

The other obvious qualification about a bond rally is the question of supply. A year ago, world bond markets collapsed because of the threatened cost of reconstructing eastern Europe at a time when Japanese liquidity looked like drying up. In the event, very little money has gone into eastern Europe, East Germany excepted. But that exception is crucial: if German interest rates do go up again shortly, it will primarily be to counter the inflationary threat posed by Federal borrowing. In the UK, too, the government will shortly be returning to net gilt issuance. And if the US gets involved in a lengthy war in the Gulf, it will have to fund it through borrowing as well.

Every way one turns, the Gulf again. But it all comes back to the same proposition: that a long war means renewed inflation. The converse is equally simple: no war, and the way is open for inflation to fall. The bond markets – for which inflation is ultimately the chief concern – would respond immediately. Equity markets would eventually follow suit, in the classic late-recession pattern. The timing of that would be another matter; and it is still the case that easy money is not to be made in the equity markets as it was in the late 1980s. The fact remains that barring accidents, the worst should be over.

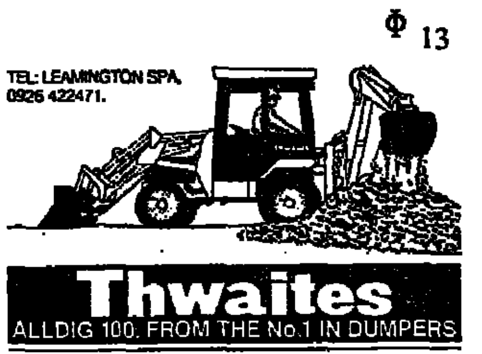
WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Berlin	S	5	41	Caracas	C	27	81	Faro	S	17	63	Islamabad	S	30	72
Algiers	F	17	63	Biarritz	F	12	54	Casablanca	F	17	63	Florence	R	13	55	Istanbul	S	10	50
Amsterdam	F	6	43	Bombay	S	22	72	Chicago	S	-10	14	Frankfurt	F	6	43	Jakarta	C	31	88
Athens	S	15	59	Bordeaux	S	12	54	Cologne	C	6	43	Geneva	C	6	43	Jersey	F	9	48
Bahrain	•	–	–	Boulogne	C	8	46	Copenhagen	C	4	39	Gibraltar	S	19	66	Johannesburg	F	29	84
Bangkok	F	33	91	Brussels	S	6	43	Corfu	S	13	55	Glasgow	R	8	46	Lima	F	25	77
Barcelona	F	13	55	Budapest	Fg	2	36	Dallas	•	–	–	Helsinki	F	-5	23	Lisbon	S	12	54
Beirut	•	–	–	Buenos Aires	F	30	86	Dublin	R	10	50	Hong Kong	S	23	73	London	F	8	46
Belfast	R	8	46	Cairo	F	20	68	Dubrovnik	C	11	52	Innsbruck	C	3	37	Los Angeles	S	10	50
Belgrade	C	9	48	Cape Town	S	21	70	Edinburgh	R	6	43	Inverness	R	3	37	Luxembourg	C	3	37

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	19	66	Milan	Fg	2	36	Nicosia	S	19	66	Salzburg	C	4	39	Tenerife	S	21	70
Madrid	C	6	43	Montreal	C	-12	8	Oporto	S	10	50	San Francisco	F	2	36	Tokyo	R	6	43
Majorca	F	15	59	Moscow	C	0	32	Oslo	C	-3	27	Seoul	C	1	34	Toronto	•	–	–
Malaga	S	18	64	Munich	R	4	39	Paris	S	7	45	Singapore	F	29	84	Tunis	F	15	59
Malta	C	16	61	Nairobi	F	23	73	Peking	S	1	34	Stockholm	C	-5	23	Valencia	S	16	61
Manchester	C	6	43	Naples	C	13	55	Prague	R	4	39	Strasbourg	C	7	45	Venice	R	6	43
Manila	C	32	90	Nassau	F	28	82	Reykjavik	F	-1	30	Sydney	F	27	81	Vienna	C	7	45
Melbourne	S	22	72	New Delhi	S	12	54	Rhodes	S	17	63	Taipei	C	23	73	Warsaw	T	1	34
Mexico City	F	24	75	New York	S	-3	27	Rio de Janeiro	F	29	85	Tangier	F	17	63	Washington	S	-2	28
Miami	F	21	70	Nice	S	14	57	Rome	R	13	55	Tel Aviv	S	17	63	Zurich	C	5	41

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 2 1991



INSIDE

The latest champion of the NYSE

The New York Stock Exchange has been losing ground in the fight for a larger share of US and global securities trades. But the arrival of a new chairman yesterday, William Donaldson (left), could change all that. He intends to make the Big Board the leading international stock market as investment becomes more global. Martin Dickson talks to the man who would be king. Page 14

Babcock in DM85m loss

Deutsche Babcock, the German engineering group, yesterday said it faced a hard road before returning to profits. The warning came as the group announced a loss of DM85m ($57m), mainly as a result of restructuring costs in its energy and environmental technology divisions and a drop in power station business. Andrew Fisher reports. Page 14

SEC plans investment curbs

The Securities and Exchange Commission plans new restrictions on investment in corporate debt by money market funds. The move, backed by the money market funds but opposed by US corporations, comes at a time of deepening concern about the quality and size of US corporate borrowing. Patrick Harverson reports. Page 16

BellSouth in $180m purchase

BellSouth, the largest of the US regional "baby Bell" telephone companies, is buying Graphic Scanning, a financially-troubled cellular telephone and paging service business with operations in the US and the UK, for $180m. Page 14

Bonds post positive returns

Government bonds did well in 1990 with all markets posting positive returns in their local currencies. The Australian market proved the best performer over the full year, posting a return of just over 18 per cent. This was followed by the traditionally high-yielding markets of Spain, Italy and the UK. Deborah Hargreaves reports. Page 16

UK pension fund value falls

The value of UK pension funds fell by 11 per cent in 1990 as fears of recession and high interest rates hit many world stock markets, according to a study of 2,500 pension portfolios with assets of £220bn. As a result, returns on portfolios for the year will be the lowest recorded since 1974. Richard Gourlay reports. Page 18

Telfos defers dividend

Telfos Holdings, the locomotive and railway rolling stock group, has been forced to defer the dividend due to be paid today on its 9 per cent preference shares. Telfos also extended its financial year end by three months to March 31, a delay intended to enable the proceeds of planned disposals to strengthen the published balance sheet. Clay Harris reports. Page 18

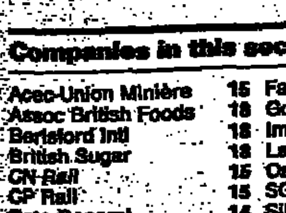
Belgian share swap

Société Générale de Belgique, the Belgian holding company, and holding companies controlled by Mr Albert Frère, the Belgian industrialist, agreed to a complex share swap that would bring Belgium's two dominant holding company groups – La Générale and Groupe Bruxelles Lambert – closer together. The deal will also reduce Compagnie Financière de Suez's 55.6 per cent stake in La Générale to 51.1 per cent. Page 16

Data General drops NTT deal

Data General, the US computer maker, has dropped a product-development agreement with Nippon Telegraph & Telephone. Ronald Skates, chief executive officer, separately disclosed that the company had eliminated about 2,400 jobs, or 20 per cent more than the 2,000 jobs Data General had said it would cut last year. Page 14

Spring Ram bucks trend



It has been a great year for Spring Ram Corporation, the bathroom and kitchen company. The group has bucked the trend in a tough year for companies related to the UK housebuilding markets. Spring Ram is estimated to have increased pre-tax profit by about 25 per cent to £30m in 1990, on similar sales growth to £150m. Jane Fuller examines the company's success. Page 19

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)

Rises				Mobil	58	–	⅜
Am T & T	30⅛	+	⅛	Occidental Pet	18⅜	–	⅜
Exxon	51⅝	+	⅛				
Falls							
IBM	113	–	⅝	USG	[illegible]	–	[illegible]

The Belgian hole in BA's strategy

Paul Betts and **David Gardner** look at the collapse of a joint venture with KLM and Sabena

The New Year's Eve collapse of the joint airline venture between British Airways, Sabena and KLM has left BA's European strategy, if not in disarray, at least in severe difficulty.

The three companies had intended to set up a new airline called Sabena World Airlines, transforming Brussels' Zaventem airport into a hub linked to 75 European cities. BA and KLM Royal Dutch Airlines would have each invested £34m ($65m) for a 20 per cent stake in the new airline, which would have been 60 per cent controlled by Sabena.

The decision to abandon the plan appears to stem primarily from a change of strategy at Sabena, which is facing record losses. It has appointed a new chairman, Mr Pierre Godfroid, who is planning a reorganisation.

BA was putting a brave face on the decision yesterday. It said the door remained open for talks to resume with Sabena. KLM Royal Dutch Airlines also said the joint venture could be revived once Sabena had completed its reorganisation.

But KLM openly acknowledged it was disappointed by the collapse of the deal. A KLM official suggested that the Netherlands airline might now have to consider changing its European strategy.

Both BA and KLM will have to review their plans for strengthening their positions in Europe. They are coming under increasing pressure from other large European airlines, such as Air France and Lufthansa, which have bolstered their own positions in the European market.

Air France recently won European Commission approval to take over UTA, the French long-distance carrier, as well as Air Inter, the French domestic carrier. Lufthansa is also set to take control of Interflug, the former East German airline, which had interested BA. Scandinavian Airlines System (SAS), which had also once sought to forge a partnership with Sabena, is waiting on the sidelines; it is poised to make new inroads in the European market now that both Norway and Sweden have agreed to join the EC's new deregulated airline policy.

KLM and BA are also coming under growing pressure from aggressive US carriers with big ambitions to expand into the deregulated European airline market. Both American Airlines and United Airlines are seeking rights to fly into BA's home base at London's Heathrow airport. A UK government review of London air traffic rules could also open Heathrow to more international airline competition.

Although BA has several other partnership deals in advanced negotiations – including plans to start a new airline based in Berlin and a joint Soviet airline venture with Aeroflot called Air Russia – the collapse of the Sabena venture will undoubtedly pose problems. Analysts now expect BA to seek alliances with carriers in Europe, the US and the Asia-Pacific region, as well as attempting to revive a partnership with Sabena.

However, considerable uncertainty now surrounds Sabena's intentions. BA and KLM had been frustrated during the last six months by the Commission's concerns over the possible anti-competitive implications of the Sabena joint venture.

Officials at the Belgian Communications and Transport Ministry conceded yesterday that the EC investigation into the venture had cast a cloud over the deal.

But all three airlines emphasised that the Commission's criticisms had little to do with the decision to abandon the plan. BA described the move as a "business decision" largely due to the change in thinking at Sabena.

And a senior Commission official said that the main practical difficulty facing the venture was that BA and KLM "appeared not to know where Sabena's new management stood".

Since early last month, Sabena's partners had started worrying about the airline's "real financial standing" and the amount of capital that would be needed to make the venture take off. While BA was paying £34m for its stake, one industry analyst suggested that about $1bn-$2bn would be necessary to make the venture a success.

The situation in the airline industry has also changed during the last few months. Profits are coming under heavy pressure from rising jet fuel prices and the economic slowdown.

BA, financially one of the strongest airlines, warned last November that it was likely to report a loss in the six months ending March 31. KLM has also warned it expects to make a substantial loss in the current financial year. The pressures have been greater still for Sabena, the smallest of the three airlines.

Mr Godfroid, Sabena's new chairman, now has a month to come up with an alternative to the partnership with BA and KLM. His brief is to find new partners willing to recapitalise the airline in the face of what are expected to be record losses for the last year.

He has resumed talks with American Airlines which had been abandoned by his predecessor, Carlos Van Rafelghem. Trans European Airways, the Belgian independent charter airline which last year challenged the Sabena-BA-KLM venture in the Belgian courts, is also understood to have renewed its interest in a link with Sabena.

Indeed, there was some conviction in Brussels yesterday that sentiment was turning towards a "Belgian solution" for Sabena. This might involve foreign carriers, but would rely on private Belgian capital to play a leading role at Sabena.

The state now has a direct 53 per cent stake in the airline, but the public sector owns most of the rest through investment funds and regional governments. If a Belgian rescue comes off, the state would write down its holding to about 25 per cent.

Belgian government officials made clear yesterday that the state was ready to inject new capital into Sabena. But Mr Godfroid first has to secure private investment before the government rounds off the package.

Sabena has already sought a BFr 6bn (£101m) infusion from the government to stem its cash haemorrhage. One official said the government did not regard the situation at Sabena as "a disaster" after the collapse of the BA-KLM deal. The two other airlines, however, clearly felt the risks had become too high. They preferred to play safe, even though that meant jeopardising their own longer-term strategies.

Lord King, head of BA, has criticised bureaucratic interference from Brussels

USG acts on debt to avoid Chapter 11

By Martin Dickson in New York

USG Corporation, the largest manufacturer of gypsum wallboard in the US, has announced a financial restructuring plan designed to lighten its crippling debt loan and keep it from filing for Chapter 11 bankruptcy protection from its creditors.

As a first step, the company has deferred repayment of $105m in bank loans and is to halt some $40m of interest due on some of its junk bonds.

The Chicago-based company, formerly known as United States Gypsum, supplies about 34 per cent of the nation's demand for wallboard. It faces severe financial difficulties because of a heavy debt burden taken on during the 1980s capital markets boom.

USG is struggling under $2.4bn of borrowings. Most of the debt was taken on in 1988 when it paid a special dividend to see off a hostile bid from a Texas-based investor group.

However, the company's plan to rebuild its capital base through profits and asset sales has been hit by a slump in the construction industry and an increase in wallboard supplies. This has sharply lowered demand and prices. Two other large manufacturers have filed for Chapter 11 protection in recent months.

USG said that worsening conditions in the housing and office construction markets had prompted the decision to go ahead with a restructuring, rather than seek short-term amendments to its bank loan covenants. It made the announcement on New Year's Eve.

USG said it did not intend to file for Chapter 11 bankruptcy protection, which would be expensive, time-consuming and have an uncertain outcome.

Instead, it was developing a restructuring plan which was likely to include an offer to convert some of its junk bonds into less expensive securities; a renegotiation of bank debt; and the sale of DAP, a producer of sealants which had sales of $186m and operating profits of $12m in 1989. USG is also seeking new equity investors.

To maintain liquidity, the company said it defer payment of $105m in principal due to senior lending banks on December 31. Its loan agreements would also require it not to make interest payments of about $40m on its 13.25 per cent subordinated junk bonds due in mid-January.

The company's shares dropped $⅛ to close at $⅛.

GRE to sell stakes in Italian insurers

By Richard Waters and Richard Lapper in London

GUARDIAN Royal Exchange, the UK general insurer, announced on Monday that it is to dispose of two of the three Italian subsidiaries acquired in March 1989. GRE's foray into the rapidly growing Italian life insurance market has proved to be an expensive one. Losses amount to £71m ($136m).

At the same time, GRE warned that its overall operating result for 1990 would suffer from the "significantly adverse trading environment" which has affected all UK insurers in the second half of 1990.

The warning is the latest piece of bad news for insurers who have been hard hit by rising claims and fierce rate competition in several areas. Four of the UK's five leading companies are set to record pre-tax losses in 1990. GRE has been particularly badly hit by claims on its employers' and public liability and motor policies. The company acknowledged on Monday that it will need to strengthen its reserves against future claims in these areas "reflecting a more pessimistic view of personal injury awards".

Overall pre-tax losses for 1990 could now reach £100m according to analysts, compared to a £148m profit in 1989. It was not clear yesterday whether these estimates included £15m in write-offs of GRE's Italian investments recorded in 1990. GRE shares fell 6p to 182p on the news.

In Italy, GRE is to dispose of 51 per cent stakes in two Italian motor insurance companies, Cidas and Sipea, for a nominal sum to the Turin-based bank, Istituto Bancario San Paolo di Torino, its joint venture partner. San Paolo will also acquire a 29 per cent stake in the life insurer, Polaris Vita, in which GRE will retain a 20 per cent stake. San Paolo has an option to buy this for a minimum of £9m at any time over the next three years.

Since purchasing its majority stake for £27m in March 1989, GRE's losses on its Italian adventure amount to £71m. Underwriting losses from both Cidas and Sipea's motor insurance business proved to be far heavier than GRE had anticipated. The company agreed an initial capital injection of £17m at the time of sale. It had to pump a further £27m into the companies after the sale. GRE wrote off £56m of this amount in 1989 and it expects to write off a further £15m against 1990 profits.

San Paolo has agreed to shoulder any operating losses in 1990. GRE will thus be able to recover the £28m it set aside last year to cover losses in the first half.

Japanese start to shop more cautiously abroad

Stefan Wagstyl looks at the lessons learned from a wave of overseas purchases in the 1980s

Japanese companies are starting to count the cost of their wave of foreign acquisitions in the 1980s. Despite the $6.1bn Matsushita has just paid for MCA, the pace of purchases is slowing. In 1990, Japanese direct investment abroad will grow about 15 per cent to $50bn – compared with a 29 per cent increase last year and 75 per cent the year before that.

Japanese businessmen are not abandoning international mergers and acquisitions. In North America and increasingly in Europe, acquisition is an option which more and more groups are ready to consider. But Japanese buyers have learned to be more wary, and more careful about the prices they pay.

Some of the 1980s deals have fallen far short of the hopes of the executives who signed the original contracts.

Among them is Fuji Bank's 1984 acquisition of Walter E Heller, the Chicago-based finance company. Heller is only now making a profit after six years of losses during which Fuji topped up the $425m purchase price with capital injections totalling $400m.

Another company which is less than happy with its purchase is Nippon Mining, the mining and metals group, which bought Gould, the diversified US electronics company, for $1.1bn in 1988.

Nippon Mining knew little about managing an ailing US mini-conglomerate. It chose Gould for the wrong reasons – long-standing commercial ties – instead of assessing a range of potential candidates. To compound the error, the Japanese side paid a handsome price to secure Gould managers' complete agreement.

But even a move into familiar territory can bring unpleasant surprises. In 1986 Bridgestone, the tyremaker, bought Firestone, a declining US rival, for $2.6bn. It wanted to add production and distribution in North America and Europe to its own strengths in Japan and Asia.

The strategic reasoning still looks sound, and other tyremakers have followed suit. But the managerial challenge in making Firestone profitable has been far greater than Bridgestone anticipated. Mr Teiji Eguchi, the chairman, had to move from Tokyo to Firestone's headquarters in Akron, Ohio, earlier this year to help accelerate cost-cutting changes. Mr Eguchi and his colleagues believe Firestone will not make a profit until 1992.

Not all the mega-deals have run into trouble. Sony's $2bn acquisition of CBS Records in 1987 has turned in bumper (though undisclosed) profits, with the help of a worldwide surge in sales of recorded music.

Sony's $3.4bn purchase of Columbia Pictures Entertainment in 1989 may prove more difficult to manage, given that making films is a volatile business in which one hit can compensate for 10 failures.

Luck affects the value of any acquisition, particularly in timing. The cheap credit of the late 1980s inflated asset values around the world. Now prices are falling in response to high interest rates.

Seibu Saison, the retailing and leisure company which paid $2.27bn for Intercontinental Hotels in 1988, might have secured a lower price today. So might Aoki Construction, the building group, which paid $1.6bn for Westin Hotels, also in 1988.

More Japanese companies are beginning to recognise that successful acquisitions depend on careful choice of a target company.

"The best acquisitions are where the buyers are the active parties" seeking potential purchases, says an executive at McKinsey management consultancy. "Unfortunately, 95 per cent of Japanese acquisitions are reactive: companies accept ideas put to them by investment bankers." Among the most successful Japanese companies in its foreign takeovers has been Dainippon Ink, which in the mid-1980s bought the bulk of Sun Chemical and Reichhold Chemicals.

The two companies were acquired for a total of $1bn, partly for their marketing presence in North America and partly for the products they could add to Dainippon's existing range. Moreover, Dainippon had previous experience with a small American company bought in 1976.

Market share, technology, and skills still matter more to a Japanese than to an Anglo-Saxon buyer. If Sony had gone to Wall Street for advice 30 years ago, it would never have made a transistor.

A company official says: "On the figures alone, it may be true that we paid a lot for Columbia. But if we just looked at figures we would not have invested in Columbia at all."

Japanese companies are not abandoning such long-range thinking, given that it is the source of many of their greatest successes. But they are now paying more regard to the figures.

Deutsche Babcock DM85m in red after fall in business

By Andrew Fisher in Frankfurt

DEUTSCHE BABCOCK, the German engineering group, said its group loss for the financial year to September 30 1990 totalled DM85m ($57m).

The deficit was mainly the result of restructuring costs in the energy and environmental technology divisions and a drop in power station business.

Provisions against possible financial risks arising from the Gulf crisis also contributed to the loss. The provisions include covering a power station which has been delivered to Egypt, but which was financed by a Kuwaiti company.

The size of the loss was in line with expectations. Babcock said in October that its losses would be about DM50m-DM60m before tax and DM85m-DM90m after tax.

It has mobilised reserves, through property sale and lease-back operations, to offset some of the losses.

Babcock said its total turnover in 1989-90 increased by 8 per cent to DM5.8bn, mostly because of the consolidation of A. Friedrich Flender, the recently acquired engine and components subsidiary.

The Ruhr-based group said a hard road lay ahead before the profits zone could be reached again. In 1988-89, Babcock made a net profit of DM173,000, down sharply from the DM40.5m of the previous year.

Its problems have coincided with a boom in the German engineering sector, with business recently given a lift through German unification.

Data General scraps NTT work

DATA GENERAL, the US computer maker, has dropped a product-development agreement with Nippon Telegraph & Telephone, AP-DJ reports.

Mr Ronald Skates, chief executive officer, separately disclosed that the company had eliminated about 2,400 jobs, or 20 per cent more than the 2,000 jobs Data General had said it would cut last year. By the end of the month, the payroll will total about 9,300, down from a peak of 17,000 in 1985, he estimated.

The agreement with NTT to build high-speed hubs for private data communications networks was unveiled in 1987, at a time of acute US-Japan trade tension over technology issues.

The project apparently fell victim to engineering delays and five years of losses and slow sales at Data General.

The move completes the US computer maker's withdrawal from the data communications equipment business after investing millions of dollars in the failed effort.

Data General has not disclosed the value of the NTT contract. However, NTT executives said at the time of the announcement that the company planned to buy about $130m-worth of equipment between 1989 and 1994, to be developed by Data General.

The communications systems were to link voice, data and computers in large, private communications networks such as those used by corporations and universities. Analysts said then that the revenue could be significant for Data General.

Mr Barry Willman, an analyst with Sanford C. Bernstein, said that killing the project now would help focus Data General on its new workstations.

Mr Willman estimated that Data General would lose about $5m, or 15 cents a share, on revenue of $298m for the fiscal first quarter ended December 30.

Gold producer to develop Guyana site for C$150m

CAMBIOR, the debt-free Quebec gold producer, plans to develop the Omai gold property in Guyana for about C$150m (US$129m), writes Robert Gibbens in Montreal.

The go-ahead rests on environmental clearances, insurance and project financing.

By mid-1991 Cambior will have spent C$4.5m on the property, formerly operated by Placer Dome.

Cambior can gain 60 per cent ownership by bringing Omai into production, leaving the Edmonton company with 35 per cent and the Guyana government 5 per cent. Cambior can buy a further 10 per cent later from the Edmonton firm.

BellSouth buys US and UK cell phone business

By Martin Dickson in New York

BELLSOUTH, the largest of the regional "baby Bell" telephone companies, is buying Graphic Scanning, a financially troubled cellular telephone and paging service business with operations in the US and the UK, for $180m.

BellSouth is a leading US cellular group and the acquisition of Graphic Scanning will give it an additional 1.35m cellular pops – number of population covered by the service – mainly in Indiana. This will take its US total to about 32m.

Graphic Scanning, which has been losing money for years and has a highly leveraged balance sheet, has a 50/50 partnership with BellSouth in Indianapolis Telephone, a cellular business. BellSouth intends to take control of this and loan it up to $60m before the deal is concluded in mid-1991.

Graphic Scanning also has some 330,000 pagers in service in 21 US cities and owns Digital Mobile Communications, a UK company with more than 60,000 pagers and several thousand cellular customers.

As part of the deal, Graphic Scanning is selling off some businesses which baby Bell telephone companies are not permitted to enter, including radio, cable television and manufacturing subsidiaries.

Bronfman group buys into Israeli food concern

By Judy Maltz in Jerusalem

CLARIDGE Israel, a Canadian company controlled by Mr Charles Bronfman, is purchasing 33 per cent of Osem, one of Israel's two largest food companies, for US$26.7m.

The shares were put up for sale by two of Osem's founding families.

The remaining shares are held by another of the founding families, the Proppers, who manage the company. Osem's shares are not traded publicly.

The acquisition of shares in Osem by the Bronfman group took Israeli financial circles by surprise.

The Bronfman group had, until now, concentrated its Israeli investments in high-technology export oriented companies.

Following this acquisition, the value of the Bronfman group's holdings in Israel will be US$125m.

The Bronfman group said the decision to buy into Osem was taken after a comprehensive survey was undertaken of the company's potential in the local and export markets.

It noted that a mass immigration wave from the Soviet Union was expected to increase food consumption in Israel during the next few years.

Osem's main products are pasta, soup mixes, crackers and salty snacks. Only a small portion of its total turnover, approximately $200m a year, is derived from exports.

In Israel, the Bronfman group owns 23 per cent of Optrotech, a manufacturer of automated inspection and design systems; 25 per cent of ECI Telecom, a telecommunications company; 22 per cent of Luz Industries, a solar energy company; and 20 per cent of the Teva pharmaceuticals company.

In 1989, the Bronfman group sold off its 38 per cent stake in Supersol, one of Israel's leading supermarket chains, and said it intended to invest the proceeds from the sale in other Israeli industrial concerns.

New York has a fresh champion

Martin Dickson on the challenges facing the latest NYSE chairman

On the day in 1973 that Mr William Donaldson walked through the doors of the state department to become under-secretary responsible for energy policy, the Middle East war broke out. The oil industry has not been the same since.

There were no such fireworks yesterday when he took over as chairman of the New York Stock Exchange. Yet he was stepping into the front line of another kind of war – and at stake is the future of the venerable NYSE.

In the battle to win a larger share of both US and global securities trades, the Big Board has been losing ground to electronic trading networks, regional American exchanges and London's so-called "dark markets", in which disclosure and trading rules are less restrictive.

Business has moved because these rivals offer some combination of lower commission costs, longer hours, more flexible regulations and a wider range of products.

At the centre of the battle lies the question of whether New York's floor-based "continuous auction" trading system is in danger of becoming an expensive anachronism in an electronic age, or whether it is the best means of ensuring a fair and efficient market.

Mr John Phelan, who has stepped down after six years as chairman and 15 as a senior NYSE executive, did a great deal to modernise both attitudes and technology at the exchange.

But the job facing his successor is likely to be more demanding, and will require not only a deep knowledge of the securities industry, but diplomatic skills to mediate between its fractious interests and political clout in Washington to push through regulatory change.

On paper, Mr Donaldson looks well qualified. A softly-spoken, courteous man of 59, he has played many roles – broker, diplomat, academic and boutique investment manager – and has sat on the board of several leading American companies: Aetna Life and Casualty, Honeywell and Philip Morris.

Born in Buffalo, upstate New York, to an engineer, he was educated at Yale and stumbled on to Wall Street by accident.

But once there, success came quickly: he and two friends were prescient in realising that institutional investment was the growth area of the future, and in 1959 they set up a broking and research firm to service these clients. Donaldson, Lufkin & Jenrette has become one of Wall Street's leading houses.

Mr Donaldson left the firm to go to the state department under secretary of state Mr Henry Kissinger, and spent a brief spell in the White House on the staff of vice-president Mr Nelson Rockefeller. After five years as the first dean of Yale's management school, he spent the wild 1980s managing what he calls a "venturesome capital" partnership, Donaldson Enterprises, which takes stakes in growing businesses.

William Donaldson: auction market a "great nation asset"

At the NYSE, he says that one of his most important challenges will be to make the Big Board the leading international stock market as investment becomes more international. And that means a drive to increase the number of foreign shares traded there.

Only 122 overseas companies are listed, and half of those are in the cumbersome form of American depositary receipts (ADRs), pieces of paper entitling the holder to dividends and capital gains on foreign shares held by US banks.

Many foreign companies find a full US quotation impossible or unattractive, because of onerous listing and regulatory requirements. These Mr Donaldson wants to see changed. For example, he questions whether Deutsche Bank, Germany's largest bank, should need to change its accounting methods to comply with US practice. "I have a hard time thinking that world class companies like that offer much risk to the unsophisticated."

But keeping domestic business will not be easy. This year the NYSE handled about 85 per cent of the dollar value of trades in its stocks, some 82 per cent of the number of shares, but only 66 per cent of total transactions.

The latter figure, says Mr Donaldson, understates the Big Board's role because of technical counting methods. But the drop in recent years, and what he calls the "fractionisation of markets in this country" concerns him.

He distinguishes between legitimate reasons for trade moving away from the NYSE (such as when the customer can get a better price elsewhere) and negative reasons (for instance when shares are being traded anonymously with inadequate reporting standards, which Mr Donaldson calls "in the closet"). The latter, he argues, is not in the customer's best interest.

He contrasts this with the rigorous regulatory policing of the Big Board, ensuring "honest and fair" trading, and argues that its system of funnelling deals through specialists on the floor of the exchange in a continuous auction still provides the best opportunity for buyers and sellers to reach the best execution price.

"The auction market," he says, "is one of our great nation assets."

Although he nods towards reducing NYSE costs, he says that a lot of institutional investors worry too much about the commission involved in making a trade and not enough about other costs, notably the execution price, which may be lower in a less liquid, screen-based market.

Furthermore, he points out that many rival systems "could not exist if the New York Stock Exchange wasn't here. They're cream-skimming, and the only reason they can take that risk is that they can come back and lay it off on the NYSE if they have made a mistake."

He acknowledges that the exchange needs to change, although he implies at a slow pace.

He admits that the Big Board has been slow to list new products and says it has to take a fresh look at "legitimate" ones. "But my feeling is that in certain derivative products there is a risk which is pretty undefined."

His language is that of a diplomat, cautiously understating and hedging around with conditional tenses. That is probably useful in a job at the eye of so many conflicting interests. But some critics say there is a question mark over Mr Donaldson's fire and aggression after spending 17 years away from the centre of Wall Street.

Put this to him, and he points out that he has not been far from the securities industry and that he has never been busier than in the last eight years, running his business.

"I'm extremely excited and turned on by the challenge of this job, and I think I wouldn't have accepted that challenge unless I felt I was physically and mentally up to it."

The growing pressures mean he will have to move beyond diplomacy, and creatively bang heads together, if the Big Board is to fight off an increasingly aggressive opposition.

INTL. COMPANIES & FINANCE

La Générale sells stake in Sibeka

By Kenneth Gooding, Mining Correspondent

SOCIETE GENERALE de Belgique, Belgium's largest company, has shuffled its portfolio again by selling a 54.4 per cent stake in Sibeka, a diamond company, to Acec-Union Minière for BFr6.9bn (US$218m).

La Générale owns 82 per cent of Acec-Union, which is responsible for La Générale's non-ferrous metals operations.

The other big shareholder in Sibeka (Sté d'Entreprise et d'Investissements) is De Beers, the South African diamond group.

An Acec-Union official said the deal would bring Acec-Union closer to De Beers but denied recent Belgian newspaper reports that De Beers would take a shareholding in Acec-Union.

Acec-Union paid BFr12,000 each for 575,131 Sibeka shares, slightly below the average price for the past six months. Sibeka is not quoted but small amounts of its stock are traded by auction on the Brussels Stock Exchange.

Acec-Union, which is an important European zinc and copper producer, said the acquisition would diversify its assets in a way that should reduce the influence of the business cycle on its financial results.

The company insisted that the acquisition would have a positive impact on its results *even when the cost of the transaction was* taken into account.

It said the goodwill from the transaction would be amortised over 20 years and would amount to about BFr6 a share or BFr120m a year.

Acec-Union had a taxable profit of BFr3.7bn in the first half of 1990, down 40 per cent on the same months of 1989.

Top Belgian holding groups closer after share swap

SOCIETE Générale de Belgique, the Belgian holding company, and holding companies controlled by Mr Albert Frère, the Belgian industrialist, agreed to a complex share swap that would bring Belgium's two dominant holding company groups – La Générale and Groupe Bruxelles Lambert – closer together.

The deal will also reduce Compagnie Financière de Suez's 55.6 per cent stake in La Générale to 51.1 per cent, a La *Générale representative said.*

The deal means that one of GBL's minority shareholders, Compagnie Nationale à Portefeuille, will own 2.7 per cent of La Générale, said La Générale and CNP.

The deal will also raise La Générale's stake in Fibelpar, CNP's majority shareholder, to 19 per cent from 10 per cent, the representative said.

The agreement is a sequel to another share swap agreement reached in September between Suez and Compagnies Européennes Réunies, which resulted in Cerus cutting its stake in La Générale to 9.96 per cent.

Cerus, the French holding company of Italian financier Mr Carlo de Benedetti, previously held 14.4 per cent of La Générale, a stake he acquired during an abortive takeover attempt of the company in 1988.

The La Générale official said the latest deal would not change Cerus's current La Générale stake. He said La Générale was now placing with other investors most of the 2,848,333 La Générale shares that had been acquired by Suez from Cerus in September.

Under the deal, La Générale will swap 1.5m La Générale shares for 15m new shares in Fibelpar. Fibelpar will then exchange the stock for new shares in CNP on the basis of one La Générale share for 1.1 CNP shares.

Tractebel, an energy and communications affiliate of La Générale, will also swap 214,573 of the La Générale shares for a 1 per cent stake in CNP.

La Générale said it was also negotiating to sell 700,000 shares to an unnamed financial institution. It added that it would keep the remaining *433,760 shares which could be* reserved for the company's stock option plan.

● La Générale said it had raised BFr17bn in cash through several recent asset sales and would use the proceeds to slash its BFr35bn debt.

La Générale said its debt would be cut by BFr17bn to BFr18bn as a result of the asset sales.

Canada's railways hit by recession

CANADA'S two main railways had a poor second half because of the recession and fewer commodity exports, writes Robert Gibbens in Montreal.

CN Rail will show a loss of C$100m (US$86m) for 1990, with the second-half losses outweighing a first-half profit. However, with *profit contributions* from non-rail activities, CN Rail will still break even for the year.

CP Rail had a poor third for quarter and has yet to report the fourth. However, the second-half results are expected to be similar to CN Rail.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	102-30	-	11.54	11.54	11.19
		9.000	03/00	89-14	-06/32	10.84	10.76	10.71
		9.000	10/08	88-26	-05/32	10.38	10.30	10.38
US TREASURY		8.500	11/00	102-28	+15/32	8.06	8.11	8.31
		8.750	08/20	105-18	+22/32	8.24	8.29	8.46
JAPAN	No 119	4.800	06/99	88.1085	+0.047	7.04	7.13	7.46
	No 129	6.400	03/00	98.3457	-	6.89	6.73	7.14
GERMANY		9.000	10/00	100.0000	-0.050	8.99	8.99	8.82
FRANCE	BTAN	9.000	11/95	95.3891	+0.002	10.23	10.28	10.11
	OAT	8.500	03/00	91.1900	+0.010	9.99	10.04	10.02
CANADA		10.500	03/01	101.3500	+0.150	10.26	10.27	10.65
NETHERLANDS		9.250	11/00	100.2500	-0.170	9.21	9.17	9.10
AUSTRALIA		13.000	07/00	105.1721	-	12.07	12.08	12.23
BELGIUM		10.000	08/00	99.8000	-0.050	10.05	9.81	9.75

All figures are latest available
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 31

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100¾	101⅛		8.46
ALBERTA PROVINCE 9 3/8 95	600	103⅛	103½	-⅛	8.54
AUSTRIA 8 1/2 00	400	97⅞	98¼	-⅛	8.85
BANK OF TOKYO 8 3/8 96	100	97⅜	97⅞	-⅛	9.01
BELGIUM 9 1/8 92	400	101⅝	102		8.03
BFCE 7 3/4 97	150	95⅛	96¼	-⅛	8.66
BNP 8 5/8 94	300	100⅞	101¼		8.31
BP CAPITAL 9 5/8 93	150	102½	103⅛	-⅛	8.44
CANADA 9 96	1000	102⅝	103	-⅛	8.31
CARCO 9 1/4 96	650	98⅝	99¼	-⅛	9.61
CCCE 9 1/4 95	300	102⅜	103⅛	-⅛	8.42
COUNCIL EUROPE 8 96	100	97⅝	98⅛		8.53
CREDIT FONCIER 9 1/2 99	300	103⅛	103⅝	-⅛	8.89
DENMARK 0 98	250	52¼	52⅞	-⅛	8.92
DENMARK 8 1/4 94	150	99½	99⅞		8.39
ECSC 8 1/4 96	193	98½	99	-⅛	8.58
EEC 7 1/4 93	250	98½	98⅞		8.01
EIB 7 3/4 96	250	96⅞	97¼		8.46
EIB 10 97	250	106⅛	106½	-⅛	8.68
ELEC DE FRANCE 9 98	200	101⅜	101⅞	-⅛	8.72
EUROFIMA 9 1/4 96	100	101⅞	102⅜	-⅛	8.77
EXPORT DEV CORP 9 1/2 98	150	103⅝	103⅞	-⅛	8.85
FINLAND 7 7/8 97	200	95⅝	96	-⅛	8.94
FINNISH EXPORT 9 3/8 95	200	103	103½	-⅛	8.57
FORD MOTOR CREDIT 9 1/2 93	300	101½	101⅞		9.00
GEN ELEC CAPITAL 9 3/8 96	300	102⅞	103¼		8.70
GMAC 9 1/8 96	300	98⅝	99⅛		9.45
HALIFAX 9 1/2 93	200	102	102⅜		8.53
IBM WORLD TRADE 7 5/8 93	150	97⅞	98⅜		8.52
IND BK JAPAN FIN 7 7/8 97	200	94⅝	95⅛	-⅛	9.02
INTER AMER DEV 7 5/8 96	200	95⅜	95⅞	-⅛	8.67
ITALY 8 1/2 94	1500	100⅜	100⅞	-⅛	8.29
JAPAN DEV BK 8 94	150	99⅛	99⅝	-⅛	8.28
KANSAI ELEC PWR 10 96	350	104	104½	-⅛	8.99
LTCB 8 5/8 93	150	100	100½		8.60
NEW ZEALAND 8 93	100	99⅛	99⅝		8.37
NIPPON CRED BK 9 3/4 93	150	102⅝	103⅛	-⅛	8.62
NIPPON TEL & TEL 9 3/8 95	200	102⅝	103⅛		8.58
NORDIC INV BANK 9 93	200	101⅛	102⅛	-⅛	8.16
ONTARIO HYDRO 11 5/8 94	200	108	108⅜	-⅛	8.57
OSTER KONTROLLBANK 8 1/8 93	200	100⅛	100⅝		7.97
PETRO-CANADA 7 1/4 96	200	94	94⅝	-⅛	8.68
PRUDENTIAL RLTY SECS 0 99	365.216	48⅝	49	-⅛	9.45
QUEBEC HYDRO 9 3/4 98	150	102⅝	102⅞	-⅛	9.29
QUEBEC PROV 9 98	200	99⅝	100⅛		9.03
SAINSBURY 9 1/8 96	150	101⅛	102	-⅛	8.82
SAS 10 99	200	100⅛	101⅛	-⅛	9.94
SBAB 9 1/2 95	500	103	103⅜	-⅛	8.63
STATE BK STH AUST 9 1/4 93	100	101½	102⅛		8.42
SUMITOMO BK CAP MKT 9 3/8 93	150	101⅞	102⅜	-⅛	8.60
SWEDEN 8 1/8 94	150	98⅞	99⅜	+⅛	8.48
SWEDISH EXPORT 9 5/8 93	100	102⅞	103¼		8.09
TOKYO METROPOLIS 8 1/4 96	200	98⅜	98⅞		8.60
WORLD BANK 8 3/8 99	1500	98⅛	98⅞		8.76
WORLD BANK 8 3/4 97	1500	101½	101⅞		8.61
XEROX CORPN 8 3/8 96	100	93¼	94½		9.96

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96⅝	+⅛	9.26
AUSTRIA 6 98	400	84¼	84½		9.05
CNT 6 1/8 98	200	83	83½		9.27
CREDIT FONCIER 6 3/4 99	500	85⅝	86		9.29
DEUTSCHE BK FIN 5 5/8 96	750	86¼	86⅝	-⅛	8.93
EEC 5 3/8 95	300	93⅛	93⅝		9.20
EIB 6 1/8 96	300	87⅛	87½	+⅛	9.16
EIB 6 7/8 95	300	91⅞	92		9.00
EUROFIMA 6 1/4 98	400	85	85	+⅛	9.07
FELDMUEHLE FINANCE 8 99	200	91⅛	91½	-⅛	9.44
FERRO DEL STAT 5 3/8 93	500	93¼	93¾		9.14
IND BK JAPAN FIN 5 5/8 96	200	84	84½	+⅛	9.59
INTER AMER DEV 7 1/4 99	300	89⅝	89⅞	+⅛	9.08
LUFTHANSA INT FIN 5 7/8 98	500	82¼	82⅝	-⅛	9.32
QUEBEC HYDRO 6 3/4 99	300	85⅛	85⅝	-⅛	9.34
SWEDEN 6 1/8 98	300	85⅛	85⅝	-⅛	8.88
WORLD BANK 0 15	2000	15½	15⅝		7.75
WORLD BANK 5 3/4 96	300	85⅞	86⅛		9.32
WORLD BANK 7 1/8 95	500	93⅛	93⅝		9.04

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	82½	84		7.75
AUSTRIA 4 5/8 98	100	86¼	87		7.05
CHUJITSUYA 7 3/4 95	50	100½	101½		7.60
COUNCIL EUROPE 4 3/4 98	250	84½			7.65
EEC 5 1/2 00	100	86	87		7.56
EIB 5 3/4 93	100	96½	97½		7.15
FINLAND 5 3/8 95	150	94	95		6.87
GENERAL MOTORS 7 1/2 95	100	101			7.21
JAPAN DEV BK 5 1/2 94	100	97¼	97¾		6.50
MOUNT ISA FINANCE 5 3/4 94	100	86¼	88		10.62
NEW ZEALAND 4 7/8 99	200	82½	83½		7.88
QUEBEC HYDRO 5 08	100	74	75½		7.79
SKANDINAVISKA ENSK 6 1/2 95	100	95	96		8.00
WORLD BANK 5 03	150	80	80¼		7.50
WORLD BANK 7 1/4 92	100	99½	100¼		7.56

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅝	94		7.15
CANADA 4 3/8 92	80000	96	96¼		7.28
CREDIT FONCIER 5 1/4 94	20000	93½	94		7.18
DENMARK 7 95	40000	99⅞	100⅛		7.03
EIB 4 5/8 94	40000	92⅝	93		7.12
GENERAL ELECTRIC 5 3/4 93	35000	96½	97		7.47
INTER AMER DEV 7 1/4 00	30000	101⅞	102⅛		6.96
ITALY 5 3/4 92	150000	98⅛	98½		7.39
KANSAI ELEC PWR 4 5/8 94	60000	92⅝	92⅞		7.18
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95⅝		6.93
NORWAY 5 1/8 95	50000	93¼	93⅝		7.00
SWEDEN 5 5/8 95	20000	94	94½		7.15
WORLD BANK 6 3/4 00	50000	99	99¼		6.89

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93⅞	94⅞		9.33
KREDIETCORP 7 93 LFr	1000	93⅛	94⅛		10.03
WORLD BANK 8 96 LFr	1000	94	95		9.47
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅛		9.95
RABOBANK 5 3/4 93 Fl	150	92⅛	93		9.87
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅛	-⅛	11.58
BCE INC 9 5/8 93 C$	300	95⅛	96⅛		11.75
BELL CANADA 10 5/8 99 C$	150	95⅛	95⅞		11.50
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅛	96⅛		11.60
EIB 10 1/8 98 C$	130	95⅞	96⅜		10.97
FORD CREDIT CANADA 10 94 C$	100	94⅞	95½	-⅛	11.78
GENERAL ELECT CAP 10 1/4 95 C$	175	98⅛	98⅝	-⅛	11.03
MONTREAL TRUSTCO 8 1/2 92 C$	100	94⅞	95⅛	+⅛	12.88
ONTARIO HYDRO 10 7/8 99 C$	500	97⅛	97⅞		11.34
QUEBEC PROV 10 1/2 98 C$	200	95⅛	96⅛		11.33
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅛	96⅝		12.13
SWEDEN 9 3/4 93 C$	250	97⅛	97⅝		11.09
AUSTRIA 7 3/8 93 Ecu	125	93⅞	94⅜	-⅛	10.81
CNT 7 3/8 93 Ecu	250	92⅞	93⅜	-⅛	10.86
CREDIT LYONNAIS 9 96 Ecu	125	92⅞	94⅛	-⅛	10.79
DENMARK 7 5/8 96 Ecu	250	89⅞	90⅛	-½	10.20
EEC 7 5/8 94 Ecu	200	93⅛	93⅝		10.22
EIB 10 97 Ecu	1125	100	100⅛		9.99
ITALY 10 3/4 00 Ecu	1000	103⅛	104	-⅛	10.09
SWEDEN 7 1/2 93 Ecu	250	92	92⅛	-⅛	10.87
BMW FINANCE 14 1/2 92 A$	100	101⅝	102⅛		12.91
COUNCIL EUROPE 13 93 A$	50	102⅝	103	-⅛	11.64
EKSPORTFINANS 12 3/8 95 A$	75	100⅛	100⅞		12.24
FORD CRED AUST 13 93 A$	50	99⅛	100⅛	-⅛	13.07
ICI 15 1/2 92 A$	100	102⅞	103⅛	+⅛	13.16
MCDONALDS CANADA 15 95 A$	100	105½	106⅛		13.23
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103⅛	104⅛		13.22
STATE BK NSW 14 1/4 99 A$	100	107⅞	108		12.72
VOLKSWAGEN INTL 15 94 A$	100	104⅞	105⅛		13.02
ABBEY NATL TREAS 13 3/8 95 £	100	102⅞	103⅛		12.45
BARCLAYS JERSEY 9 1/2 93 £	250	94	94⅛		12.65
BRITISH GAS 12 3/4 95 £	150	103	103⅛		11.77
DEUTSCHE BK FIN 11 94 £	225	97¼	97⅝	-⅛	12.12
EIB 10 97 £	300	93⅛	93⅝		11.56
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅛	93⅝		13.23
INTER AMER DEV 11 3/8 95 £	75	98⅝	99⅛		11.74
ITALY 10 1/2 14 £	400	90⅛	90⅝	-⅛	11.74
LAND SECS 9 1/2 07 £	200	77⅛	77⅞	-⅛	12.90
LEEDS PERMANENT 9 1/4 93 £	50	93⅛	93⅝	+⅛	12.60
NORWAY 10 1/2 94 £	200	96⅛	96⅝		12.04
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93⅝		12.88
SAINSBURY 10 7/8 93 £	100	96⅛	97⅛		12.72
SKANDINAVISKA ENSK 13 1/8 95 £	100	101⅛	102⅛	-½	12.57
WORLD BANK 11 1/4 95 £	100	98⅛	99⅛		11.62
ABBEY NATIONAL 0 96 NZ$	100	46½	47⅛		14.21
TELECOM NZ 0/S FIN 13 1/8 93 NZ$	75	99½	100⅛		13.28
AIDC 7 7/8 93 FFr	600	93½	93⅞		10.70
CREDIT LYONNAIS 10 95 FFr	2000	98	98⅝		10.55
EURATOM 7 5/8 98 FFr	500	86⅛	87⅛		10.22

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.82	99.93	13.9375
ALBERTA PROVINCE 1/32 93	500	99.80	99.90	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.47	99.52	13.9550
BANCO ROMA 0.03 01	200	91.61	92.67	7.9363
BANCO SANTO SPIRITO 93	200	99.49	99.59	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.06	8.8125
BFCE -0.02 96	350	99.60	99.70	7.7925
BNP 05	300	97.08	97.47	8.0938
BRITANNIA 1/10 96 £	150	99.14	99.19	13.9750
CCCE 06 ECU	200	99.93	100.00	10.0000
CITIZENS FED 0.15 96	100	99.21	99.74	8.2125
COMMERZBK 0/S FIN 93	100	99.59	99.69	7.9375
DENMARK -1/8 96	1000	98.97	99.07	8.0000
ELEC DE FRANCE 1/8 99	200	100.00	100.50	8.3750
FERRO DEL STAT 94	200	100.10	100.21	8.2500
HALIFAX 1/10 94 £	200	99.66	99.71	13.9750
HILL SAMUEL 1/4 PERP	75	85.50	87.38	8.5000
MITSUI FIN ASIA 1/8 96	100	99.04	99.17	8.1875
MORGAN (JP) 1/4 97	250	97.78	98.85	8.4375
NAT WEST FIN 3/16 05	400	92.09	93.06	8.3125
NEW ZEALAND 98	500	99.45	99.55	8.0625
QUEBEC PROV 01	300	97.01	97.16	8.1250
RENFE 98	500	99.72	99.83	7.8750
SOCIETE GENERALE 96	300	98.32	98.42	8.0000
STATE BK VICTORIA 0.05 99	125	97.85	98.10	8.4375
UNITED KINGDOM -1/8 96	4000	99.97	100.02	7.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	105¾	106¾	+25.49
ASDA-MFI 4 3/4 02 £	100	1.64	109¾	111	+51.42
BURTON GROUP 4 3/4 01 £	110	3.15	106¾	107¾	
EASTMAN KODAK 6 3/8 01	300	50.67	96¾	97¾	+18.13
GOLD KALGOORLIE 7 1/2 00	65	1.0554	63¾	64¾	+34.77
GOODYEAR TIRE 6 7/8 03	150	80¼	55¾	56¾	
GRACE (WR) 6 1/4 02	150	42¾	73¾	74¾	+30.59
GRAND MET 6 1/4 02 £	150	6.38	102½	103½	-0.38
HAWLEY 6 02 PREF	400	1.91	92¾	93¾	+30.93
HILLSDOWN 4 1/2 02 £	150	4.16	103¾	104¾	+74.03
INTL PAPER 5 3/4 02	200	68½	89½	90½	+14.81
LAND SECS 6 3/4 02 £	84	6.72	87¼	88¼	+11.73
MITSUBISHI BK 1 3/4 02	300	2727.1	83	85	-3.22
OGDEN 6 02	85	39.077	65½	66½	+35.23
PACIFIC DUNLOP 6 3/4 97	75	3.749	103¼	104¼	+2.23
TEXAS INSTRUMENTS 2 3/4 02	300	82¼	80¼	81¼	+71.33
THORN EMI 5 3/4 04 £	103	7.45	104	104¾	+14.45

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 31, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	51.4248	34.402	37.9178
Albania	(Lek)	10.2783	5.3255	3.5626	3.9267
Algeria	(Dinar)	23.1780	12.0093	8.0339	8.855
Andorra	(Fr Fr)	9.8200	5.088	3.4038	3.7516
	(Sp Peseta)	183.70	95.1813	63.6741	70.1814
Angola	(Kwanza)	58.2295	30.1707	20.1835	22.2462
Antigua	(E Carr $)	5.2151	2.7021	1.8076	1.9923
Argentina	(Austral)	10776.25	5583.55	3735.27	4117
Aruba	(Florin)	3.4574	1.7913	1.1984	1.3208
Australia	(Aus $)	2.5000	1.2953	0.8665	0.9551
Austria	(Schilling)	20.275	10.5051	7.0277	7.7459
Azores	(Port Escudo)	255.30	132.28	88.4922	97.5358
Bahamas	(Bahama $)	1.9300	1	0.6689	0.7373
Bahrain	(Dinar)	0.7199	0.373	0.2495	0.275
Balearic Is	(Sp Peseta)	183.70	95.1813	63.6741	70.1814
Bangladesh	(Taka)	66.50	34.4559	23.0502	25.4059
Barbados	(Barb $)	3.8848	2.0128	1.3465	1.4841
Belgium	(Belg Fr)	59.75	30.9585	20.7105	22.8271
Belize	(B $)	3.8630	2.0015	1.3389	1.4758
Benin	(CFA Fr)	491.00	254.404	170.191	187.584
Bermuda	(Bermudian $)	1.9300	1	0.6689	0.7373
Bhutan	(Ngultrum)	34.30	17.772	11.889	13.1041
Bolivia	(Boliviano)	6.5285	3.3826	2.2629	2.4941
Botswana	(Pula)	3.6022	1.8664	1.2485	1.3761
Brazil	(Cruzeiro)	329.465	170.707	114.199	125.87
Brunei	(Brunei $)	3.3525	1.737	1.162	1.2808
Bulgaria	(Lev)	5.3665	2.7805	1.8601	2.0502
Burkino Faso	(CFA Fr)	491.00	254.404	170.191	187.584
Burma	(Kyat)	11.578	5.9989	4.0131	4.4233
Burundi	(Burundi Fr)	314.275	162.837	108.934	120.067
Cambodia	(Riel)	887.800	460	307.73	339.179
Cameroon	(CFA Fr)	491.00	254.404	170.191	187.584
Canada	(Canadian $)	2.2400	1.1606	0.7764	0.8557
Canary Is	(Sp Peseta)	183.70	95.1813	63.6741	70.1814
Cp. Verde	(CV Escudo)	125.8372	65.2006	43.6177	48.0753
Cayman Is	(CI $)	1.6031	0.8306	0.5556	0.6124
Cent.Afr. Rep	(CFA Fr)	491.00	254.404	170.191	187.584
Chad	(CFA Fr)	491.00	254.404	170.191	187.584
Chile	(Chilean Peso)	638.86	331.016	221.442	244.073
China	(Renminbi Yuan)	10.0656	5.2153	3.4889	3.8455
Colombia	(Col Peso)	1026.98	532.114	355.972	392.351
Comoros	(CFA Fr)	491.00	254.404	170.191	187.584
Congo (Brazz)	(CFA Fr)	491.00	254.404	170.191	187.584
Costa Rica	(Colon)	200.0068	103.63	69.3264	76.4113
Côte d'Ivoire	(CFA Fr)	491.00	254.404	170.191	187.584
Cuba	(Cuban Peso)	1.5384	0.797	0.5332	0.5877
Cyprus	(Cyprus £)	0.8300	0.43	0.2876	0.317
Czechoslovakia♦	(Koruna)	52.72c	27.316	18.2738	20.1413
		62.48t	32.373	21.6568	23.8701
Denmark	(Danish Kroner)	11.1500	5.7772	3.8648	4.2597
Djibouti Rep	(Djib Fr)	338.00	175.13	117.158	129.131
Dominica	(E Carrib $)	5.2151	2.7021	1.8076	1.9923
Dominican Rep	(D Peso)	21.6328	11.2087	7.4983	8.2646
Ecuador	(Sucre)	1720.15o	891.269	596.239	657.173
		1687.54a	874.373	584.936	644.714
Egypt	(Egyptian £)	5.5125	2.8562	1.9107	2.106
El Salvador	(Colon)	12.2620	6.3533	4.2502	4.6846
Equat'l Guinea	(CFA Fr)	491.00	254.404	170.191	187.584
Ethiopia	(Ethiopian Birr)	3.9600	2.0518	1.3726	1.5128
Falkland Is	(Falk £)	1.00	0.5181	0.3466	0.382
Faroe Is	(Danish Kroner)	11.1500	5.7772	3.8648	4.2597
Fiji Is	(Fiji $)	2.8270	1.4647	0.9798	1.08
Finland	(Markka)	6.9995	3.6266	2.4261	2.6741
France	(Fr)	9.8200	5.088	3.4038	3.7516
Fr. Cty/Africa	(CFA Fr)	491.00	254.404	170.191	187.584
Fr. Guiana	(Local Fr)	9.8200	5.088	3.4038	3.7516
Fr. Pacific Is	(CFP Fr)	170.00	88.0829	58.9254	64.9474
Gabon	(CFA Fr)	491.00	254.404	170.191	187.584
Gambia	(Dalasi)	14.6041	7.5668	5.062	5.5794
Germany	(D-Mark)	2.8850	1.4948	1	1.1021
Ghana	(Cedi)	661.700	342.85	229.359	252.798
Gibraltar	(Gib £)	1.00	0.5181	0.3466	0.382
Greece	(Drachma)	301.725	156.334	104.584	115.272
Greenland	(Danish Krone)	11.1500	5.7772	3.8648	4.2597
Grenada	(E Carr $)	5.2151	2.7021	1.8076	1.9923
Guadaloupe	(Local Fr)	9.8200	5.088	3.4038	3.7516
Guam	(US $)	1.9300	1	0.6689	0.7373
Guatemala	(Quetzal)	10.0334	5.1986	3.4777	3.8331
Guinea	(Fr)	1197.53a	620.482	415.088	457.509
		579.45n	300.233	200.849	221.375
Guinea-Bissau	(Peso)	1255.475	650.505	435.173	479.647
Guyana	(Guyanese $)	85.30	44.1968	29.5667	32.5883
Haiti	(Gourde)	9.6575u	5	3.3474	3.6895
Honduras	(Lempira)	10.1395	5.2536	3.5145	3.8737
Hong Kong	(HK $)	15.0453	7.7954	5.215	5.7479
Hungary	(Forint)	116.5798	60.404	40.4089	44.5386
Iceland	(Icelandic Krona)	106.23	56.0414	36.8214	40.5845
India	(Indian Rupee)	34.30	17.772	11.889	13.1041
Indonesia	(Rupiah)	3670.925	1902.03	1272.42	1402.45
Iran	(Rial)	124.80	64.6632	43.2582	47.679
Iraq	(Iraqi Dinar)	0.5993	0.3105	0.2077	0.2289
Irish Rep	(Punt)	1.0860	0.5626	0.3764	0.4148
Israel	(Shekel)	3.9900	2.0673	1.383	1.5243
Italy	(Lira)	2177.00	1127.98	754.593	831.71
Jamaica	(Jamaican $)	14.8675	7.7033	5.1533	5.68
Japan	(Yen)	261.75	135.622	90.7279	100
Jordan	(Jordanian Dinar)	1.2415	0.6432	0.4303	0.4743
Kenya	(Kenya Shilling)	46.2981	23.9886	16.0478	17.6879
Kiribati	(Australian $)	2.5000	1.2953	0.8665	0.9551
Korea North	(Won)	1.8736	0.9707	0.6494	0.7157
Korea South	(Won)	1380.15	715.104	478.388	527.278
Kuwait ♣	(Kuwaiti Dinar)				
Laos	(New Kip)	1323.0775	685.532	458.606	505.474
Lebanon	(Lebanese £)	1597.4	827.668	553.692	610.277
Lesotho	(Maluti)	4.9373	2.5581	1.7113	1.8862
Liberia	(Liberian $)	1.9300	1	0.6689	0.7373
Libya	(Libyan Dinar)	0.5254	0.2722	0.1821	0.2007
Liechenstein	(Swiss Fr)	2.4600	1.2746	0.8526	0.9398
Luxembourg	(Lux Fr)	59.75	30.9585	20.7105	22.8271
Macao	(Pataca)	15.5349	8.0491	5.3847	5.935
Madagascar	(MG Fr)	2581.25	1337.44	894.714	986.151
Madeira	(Port Escudo)	255.30	132.28	88.4922	97.5358
Malawi	(Kwacha)	5.0316	2.607	1.744	1.9222
Malaysia	(Ringgit)	5.2088	2.6988	1.8054	1.9899
Maldive Is	(Rufiya)	18.3705	9.5183	6.3675	7.0183
Mali Rep	(CFA Fr)	491.00	254.404	170.191	187.584
Malta	(Maltese £)	0.5755	0.2981	0.1994	0.2198
Martinique	(Local Fr)	9.8200	5.088	3.4038	3.7516
Mauritania	(Ouguiya)	152.1249	78.8211	52.7296	58.1183
Mauritius	(Maur Rupee)	27.10	14.0414	9.3934	10.3533
Mexico	(Mexican Peso)	5697.82e	2952.24	1974.98	2176.82
		5676.69d	2941.29	1967.66	2168.74
Miquelon	(Local Fr)	9.8200	5.088	3.4038	3.7516
Monaco	(French Fr)	9.8200	5.088	3.4038	3.7516
Mongolia	(Tugrik)	6.5005	3.3681	2.2532	2.4834
Montserrat	(E Carr $)	5.2151	2.7021	1.8076	1.9923
Morocco	(Dirham)	15.5283	8.0457	5.3824	5.9324
Mozambique	(Metical)	2016.16	1044.64	698.842	770.262
Namibia	(S A Rand)	4.9373	2.5581	1.7113	1.8862
Nauru Is	(Australian $)	2.5000	1.2953	0.8665	0.9551
Nepal	(Nepalese Rupee)	57.7712	29.9332	20.0246	22.0711
Netherlands	(Guilder)	3.2550	1.6865	1.1282	1.2435
N'nd Antilles	(A/Guilder)	3.4574	1.7913	1.1984	1.3208
New Zealand	(NZ $)	3.2788	1.6988	1.1364	1.2526
Nicaragua	(Cordoba)	4828750.00	2501943	1673744	1844795
Niger Rep	(CFA Fr)	491.00	254.404	170.191	187.584
Nigeria	(Naira)	16.8041	8.7067	5.8246	6.4199
Norway	(Nor. Krone)	11.3475	5.8795	3.9332	4.3352
Oman	(Rial Omani)	0.7368	0.3817	0.2553	0.2814
Pakistan	(Pak. Rupee)	41.00	21.2435	14.2114	15.6638
Panama	(Balboa)	1.9300	1	0.6689	0.7373
Papua New Guinea	(Kina)	1.8350	0.9507	0.636	0.701
Paraguay	(Guarani)	2423.40	1255.65	840	925.845
Peru	(Inti)	990765.82	513350	343420	378516
Philippines	(Peso)	51.00	26.4248	17.6776	19.4842
Pitcairn Is	(£ Sterling)	1.00	0.5181	0.3466	0.382
	(NZ $)	3.2788	1.6988	1.1364	1.2526
Poland	(Zloty)	18382.00	9524.35	6371.58	7022.73
Portugal	(Escudo)	255.30	132.28	88.4922	97.5358
Puerto Rico	(US $)	1.9300	1	0.6689	0.7373
Qatar	(Riyal)	6.9716	3.6122	2.4164	2.6634
Reunion Is. de la	(F/Fr)	9.8200	5.088	3.4038	3.7516
Romania	(Leu)	66.43	34.4196	23.0259	25.3791
Rwanda	(Fr)	229.3365	118.827	79.4927	87.6166
St Christopher	(E Carr $)	5.2151	2.7021	1.8076	1.9923
St Helena	(£)	1.00	0.5181	0.3466	0.382
St Lucia	(E Carr $)	5.2151	2.7021	1.8076	1.9923
St Pierre	(French Fr)	9.8200	5.088	3.4038	3.7516
St Vincent	(E Carr $)	5.2151	2.7021	1.8076	1.9923
San Marino	(Italian Lira)	2177.00	1127.98	754.593	831.71
San Tome	(Dobra)	291.0771	150.817	100.893	111.204
Saudi Arabia	(Riyal)	7.1813	3.7208	2.4891	2.7435
Senegal	(CFA Fr)	491.00	254.404	170.191	187.584
Seychelles	(Rupee)	9.5000	4.9222	3.2928	3.6294
Sierra Leone	(Leone)	324.00	167.876	112.305	123.782
Singapore	($)	3.3525	1.737	1.162	1.2808
Solomon Is	($)	5.0450	2.6139	1.7487	1.9274
Somali Rep	(Shilling)	5060.53	2622.04	1754.08	1933.34
South Africa	(Rand)	4.9373c	2.5581	1.7113	1.8862
		6.5765f	3.4075	2.2795	2.5125
Spain	(Peseta)	183.70	95.1813	63.6741	70.1814
Spanish Ports in N Africa	(Sp Peseta)	183.70	95.1813	63.6741	70.1814
Sri Lanka	(Rupee)	76.00	39.3782	26.3431	29.0353
Sudan Rep	(£)	8.6918o	4.5035	3.0127	3.3206
		22.1157q	11.4589	7.6657	8.4491
Surinam	(Guilder)	3.4477	1.7863	1.195	1.3171
Swaziland	(Lilangeni)	4.9373	2.5581	1.7113	1.8862
Sweden	(Krona)	10.8650	5.6295	3.766	4.1509
Switzerland	(Fr)	2.4600	1.2746	0.8526	0.9398
Syria	(£)	40.5615	21.0163	14.0594	15.4962
Taiwan	($)	52.35	27.1243	18.1455	20
Tanzania	(Shilling)	377.0288	195.352	130.686	144.042
Thailand	(Baht)	47.00	24.3523	16.2911	17.956
Togo Rep	(CFA Fr)	491.00	254.404	170.191	187.584
Tonga Is	(Pa Anga)	2.5000	1.2953	0.8665	0.9551
Trinidad/Tobago	($)	8.2089	4.2533	2.8453	3.1361
Tunisia	(Dinar)	1.6050	0.8316	0.5563	0.6131
Turkey	(Lira)	5547.91	2874.56	1923.02	2119.55
Turks & Caicos	(US $)	1.9300	1	0.6689	0.7373
Tuvalu	(Australian $)	2.5000	1.2953	0.8665	0.9551
Uganda	(New Shilling)	1058.3654	548.376	366.851	404.342
U A E	(Dirham)	7.0338	3.6444	2.438	2.6872
United Kingdom	(£)	1.00	0.5181	0.3466	0.382
United States	(US $)	1.9300	1	0.6689	0.7373
Uruguay	(Peso)	3028.35	1569.09	1049.69	1156.96
USSR	(Rouble)	1.0725o	0.5556	0.3717	0.4097
		3.2175c	1.667	1.1152	1.2292
Vanuatu	(Vatu)	216.50	112.176	75.0433	82.7125
Vatican	(Lira)	2177.00	1127.98	754.593	831.71
Venezuela	(Bolivar)	98.0862	50.8218	33.9986	37.4732
Vietnam	(Dong)	12554.75	6505.05	4351.73	4796.47
Virgin Is-British	(US $)	1.9300	1	0.6689	0.7373
Virgin Is-US	(US $)	1.9300	1	0.6689	0.7373
Western Samoa	(Tala)	4.3660	2.2621	1.5133	1.668
Yemen	(Rial)	23.2746	12.0593	8.0674	8.8919
Yemen PDR	(Dinar)	0.8904	0.4613	0.3086	0.3401
Yugoslavia	(Dinar)	20.1692*	10.4503	6.991	7.7055
Zaire Rep	(Zaire)	3610.00	1870.47	1251.3	1379.18
Zambia	(Kwacha)	88.6559	45.9356	30.7299	33.8704
Zimbabwe	($)	5.0992	2.642	1.7674	1.9481

Special Drawing Rights December 28, 1990 United Kingdom £0.744048 United States $1.41332 Germany D Mark 2.14104 Japan Yen192.494
European Currency Unit Rates December 31,1990 United Kingdom £0.707840 United States $1.36330 Germany D Mark 2.04195 Japan Yen184.932

Abbreviations: (a) *Free rate;* (b) *Banknote rate;* (c) *Commercial rate;* (d) *Controlled rate;* (e) *Essential imports;* (g) *Financial rate;* (h) *Exports;* (i) *Non commercial rate;* (j) *Business rate;* (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ♣Kuwaiti Dinar unavailable. ♦Czechoslovakia. Koruna devalued by approx 14.25pc. December 28. *Yugoslavia, Dinar devalued against the D-Mark by approx. 28pc on Jan 1 1991. Rate against Sterling for Jan 1 25.9103.

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday December 31, 1990.

THE EQUITY WARRANT FUND (JAPAN)
SICAV
Luxembourg, 11, rue Aldringen
R.C. Luxembourg No B 33087

Notice of Meeting

Messrs Shareholders are hereby convened to attend the Annual General Meeting of our company which will be held on January 14, 1991 at 3.00 p.m. at the registered office with the following agenda:

Agenda

1. To hear and accept the reports of:
   a. the Board of Directors
   b. the Authorized Auditors.
2. To approve the audited accounts of the SICAV through September 30, 1990 and allocation of the results as at September 30, 1990.
3. To discharge the Directors of the SICAV with respect to their performance of duties during the period from the incorporation of the SICAV through September 30, 1990.
4. To elect the Directors of the SICAV to serve until its next Annual General Meeting of shareholders.
5. To elect the Authorized Auditors of the SICAV to serve until its next Annual General Meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the items of the agenda is required and that the decisions will be taken at the majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

INTERNATIONAL COMPANIES AND FINANCE

New year heralds curbs on corporate debt investment

Patrick Harverson on the SEC's plan to protect investors if funds become over-exposed to high-risk paper

In an already severely squeezed US credit market, the Securities & Exchange Commission is planning to tighten restrictions on investment in corporate debt by money market funds.

The proposed restrictions will affect the $15bn of commercial paper - short-term corporate IOUs - rated below top grade which are currently held by registered money market funds. They could force some lower-rated issuers out of the commercial paper market altogether.

The SEC's move is backed by the money market funds but opposed by US corporations. It comes at a time of deepening concern among investors, regulators and politicians about the quality and size of US corporate borrowing.

The savings and loan industry disaster, the collapse of the junk bond market and the increasingly shaky state of the US banking system have all highlighted the damage that bad debt can do.

The aim of the planned restrictions is to protect investors if money funds become over-exposed to high-risk commercial paper.

At the heart of the new code is the requirement that funds invest no more than 5 per cent of their assets in commercial paper rated below the top grade, with no more than 1 per cent in the paper of any one issuer.

At the moment funds can invest as much as they wish, although in practice they hold about 10 per cent of their assets in paper rated grade two or below.

The rule-tightening was spurred by the defaults last year of two issuers of grade two commercial paper; Integrated Resources and Mortgage & Realty Trust.

Investors in money funds did not lose any money as a result of the defaults, because the financial institutions managing the funds which held defaulted paper took over the losses themselves. But the SEC was worried enough by the defaults that it began to look for ways to strengthen investor protection.

The SEC's concern about the quality of grade two paper is shared by the money funds. The Investment Company Institute, the trade organisation representing money funds, supports the proposed changes.

In fact, it wants the SEC to go all the way and ban holdings of grade two paper outright.

Although the SEC is keen to impose tighter control on investment in higher risk paper, it is unlikely to accede to the institute's request for a complete moratorium.

Money managers are happy to accept stricter limits on their paper holdings because they hope it will strengthen investor confidence in the security of their funds. The main attraction of money funds is that they guarantee investors that the dividend on their investment will not fall below $1 a share.

If issuers default on their paper, funds are faced with the choice of taking the loss and paying out dividends below $1 - which would be professional suicide - or asking the parent of the fund to bail them out.

Although the SEC has listened to what the issuers have to say, the chances of the SEC reversing direction are slim

So far, every time commercial paper has defaulted the fund has taken the latter course. But the fear remains that potential investors will be put off placing their money in funds because of the fear of losses.

Corporate issuers of commercial paper are up in arms about the planned changes. In the current financial climate, credit is difficult to come by and increasingly costly. Issuers believe the new restrictions will force them either to borrow in the paper market at a higher price, or to go elsewhere.

They also feel that the restrictions will give too much power to the five big US credit rating agencies (Standard & Poor's, Moody's, Fitch, McCarthy and Duff & Phelps) whose ratings will determine whether an issuer has a ready market for its paper.

Mr John Tierney, chairman of Chrysler Financial, wrote in a letter to the SEC responding to the planned changes: "Adoption of the proposed amendments would shift the decision process of determining the eligibility of commercial paper for investment by money market funds from the individual money market managers . . . to the established rating agencies."

Chrysler Financial, the fourth largest finance company in the US with $10.6bn of commercial paper outstanding in 1989, has calculated that under the SEC's tighter restrictions the amount of its paper held by money funds would be reduced from $4.9bn to $1.5bn.

This $3.4bn shortfall in paper outstanding would have to be replaced largely by borrowing from banks or through the issue of longer term securities, all of which would, Chrysler estimates, increase the cost of borrowings by between $15m and $20m each year.

The cost of all Chrysler's commercial paper (which is currently rated between grade two and three) would also go up, because of the limited capacity in the market for low-grade debt.

Chrysler's predicament is typical, and with rating agencies downgrading company debt almost daily in the worsening economic climate, more issuers will suffer from the SEC requirements.

Many companies are already having to pay more to borrow on the commercial paper market (or are going to alternative sources) because funds are changing their investments in anticipation of the latest SEC regulations.

Corporate issuers also argue that if the large companies that would normally use the commercial paper market are forced to borrow from banks instead, banks will have less money to lend to smaller companies.

"It is the worst thing that could be happening in an economic downturn," says Mr Brad Sparks, treasurer of MCI Communications, which has $900m in commercial paper outstanding.

Those affected by the proposals have put forward recommendations to the SEC. Chrysler suggested that quality of debt should be judged under different criteria, such as using historical ratios of earnings to fixed charges.

Another alternative, proposed among others by Sparks of MCI and Mr Daniel Donoghue of rating agency Duff & Phelps, is to increase the disclosure requirements for each fund.

Publishing the percentage of average daily balances invested in low-grade paper would allow investors to select the fund that best matched their appetite for risk, says Mr Donoghue.

Although the SEC has listened to what the issuers have to say, the chances of the SEC reversing direction are slim. The commission is still sifting through the responses to its plans, and there has been speculation that it will hold a series of hearings to canvass opinion further on the matter.

The SEC will not comment on the likelihood of further consultation on its proposals.

At the moment, with the new restrictions likely to come into force early next year if the SEC has its way, consultation is all corporate issuers can hope for.

Bonds post positive returns in 1990

By Deborah Hargreaves

IT WAS a good year for government bonds in 1990, with all markets posting positive returns in their local currencies, according to J.P. Morgan's Government Bond Index Monitor. This was despite the often severe volatility that characterised these markets at times.

The Australian market proved the best performer over the full year, posting a return of just over 18 per cent. This was followed by the usually high-yielding markets of Spain and Italy, where returns were at 14.7 per cent, and the UK, where a portfolio of gilt-edged securities rose 9.7 per cent in the year.

Judged in dollar terms, Spain and the UK came out best, as their currencies gained strength against the dollar and the two markets posted a dollar return of 30.9 per cent.

They were followed by Italy offering a return of 28.6 per cent and Belgium with 24.9 per cent in dollars, but before tax.

The UK market rode high on a wave of expectation that the UK would join the exchange rate mechanism of the European Monetary System in 1990, and when that happened bond prices surged.

The performance of the German bond market was depressed by the uncertainty surrounding unification and the burden of fund-raising this would place on the capital market. The Bund market was second only to Japan in putting in the worst performance in its local currency.

Japanese government bond prices were dragged down by the slump in Tokyo stock prices and uncertainties over the economy as well as fears about the Gulf crisis. The market showed only a return of 0.78 per cent in yen over the year.

However, it turned into the best performer for the last quarter of the year when investors were banking on a cut in official interest rates early in 1991. This boosted yen returns on Japanese bonds to 8.8 per cent for the final quarter - just above Australian bonds which put in a return of 8.1 per cent for the same period.

The year was an excellent one for US investors to diversify into foreign bond markets, J.P. Morgan concludes.

France to issue FFr100bn of OATs

THE FRENCH Treasury plans to issue about FFr100bn of fungible bonds (OATs) in 1991. About 15 per cent of the total will be in bonds denominated in Ecus, the finance ministry said, Reuter reports.

The total would be net of any stock bought by exchanging existing bonds and net of any bonds the state might buy back during the year. It would be calculated on the basis of the price paid at monthly auctions rather than face value.

France issued FFr114.4bn of bonds in 1990. The ministry said the smaller total for 1991 reflected the planned decrease in the budget deficit in 1991.

The ministry added that the total would allow it to cover the high level of bond maturities during the coming year, which it put at FFr107.8bn.

The Treasury will continue with its practice of holding a bond auction on the first Thursday of each month.

On each occasion it will sell at least FFr1bn of a new 10-year OAT plus FFr1bn of either its 8.50 per cent 2019, 8.50 per cent 2012 or 8.50 per cent 2004 bonds.

Depending on market conditions, it may also offer its variable rate bonds due 1998 or 2001. These pay a coupon based on an index of long-term bond yields.

The ministry statement did not give the coupon or any other details of the new 10-year bond, which is expected to establish itself as the benchmark in the French market as the issued volume builds up.

These should be announced today, when the Treasury is set to give details of the first 1991 auction on January 3.

According to ministry data, there is about FFr55bn outstanding of the current 8.50 per cent 2000 benchmark.

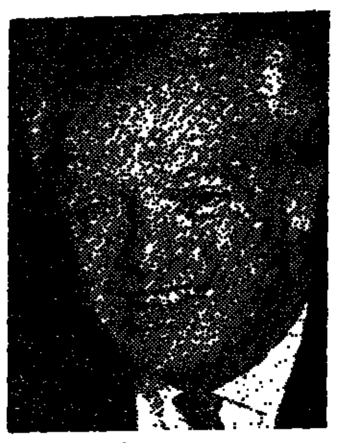
The date of Ecu bond sales will depend on market conditions, but there will be at least one per quarter. The Treasury will offer its 9.50 per cent 2000 Ecu bond or its 10 per cent 2001 Ecu stock.

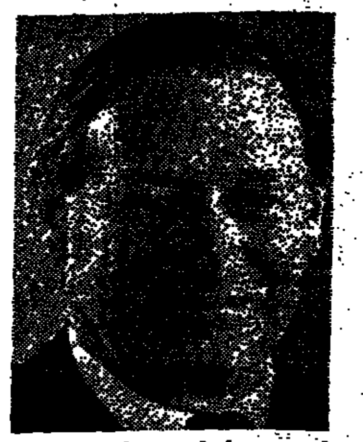
The ministry said the state reserved the right to cancel an auction or fit in an unscheduled auction in the event of exceptional market circumstances.

It also reserved the right to open new lines of stock, particularly in the variable rate sector, or re-open existing lines not listed earlier. It mentioned specifically the 9.50 per cent 1998 bond, which already has outstanding volume of FFr35bn.

APPOINTMENTS

MD named at R S Stokvis





■ Mr Ivan Thompson (pictured) has been appointed managing director of R.S. STOKVIS & SONS, the East Molesey based suppliers of industrial doors, loading bay equipment and commercial heating and hot water systems.

Mr Thompson joined Stokvis nearly three years ago having previously worked in marketing roles at British Gas, United Gas Industries, Drugasar and Schlumberger Group, where he was general manager, industrial metering division.

Mr Javed Afzal has been confirmed as the Stokvis financial director and Mr Alex Thomson has been appointed business development director.

The Dutch-based group, which was recently acquired by the Dutch Merchant Bank, has a turnover of some £175m and employs 1,200 people.

■ LEVER BROTHERS has appointed Mr Roy Brown as managing director. He joins Lever from Bird's Eye Walls, where he was technical director.

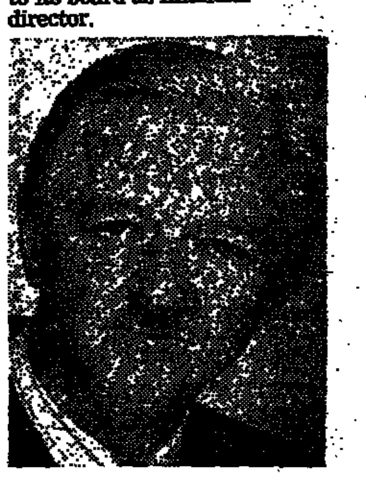
■ UNWINS SEEDS, Histon, has appointed Mr Roderick Weston as financial director. He was a UK financial controller at the Scott Paper Group.

■ Mr Timothy Smith has been appointed an executive director of BROOKS SERVICE GROUP. He was previously director of operations at Kennametal Europe, and prior to that was with Sandvik as UK operations manager.

Mr Jim Crisp and Mr Roger Taylor have resigned their directorships on their retirements.

■ Mr Neil Shaw, chairman and chief executive of Tate & Lyle, retired from his post as a non-executive director of SMITHS INDUSTRIES on December 31. Mr David Lyon (pictured), chief executive of Bowater, has joined the board of Smiths Industries as a non-executive director.

■ LEOPOLD JOSEPH & SONS has appointed Mr David Coulson, previously with British and Commonwealth, to its board as financial director.



Mr Tony Shadforth (pictured) has become enterprise adviser to the DTI's West Midlands regional office in Birmingham. A former chairman of Inco Europe - the European arm of the International Nickel Company of Canada - he has also held a number of other senior management positions including chairmanship of the Birmingham company, Henry Wiggin before setting up his own human resources consultancy.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday December 31 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Dec 28 Index No.	Thu Dec 27 Index No.	Mon Dec 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (188)	719.22	-0.2	14.79	6.64	8.25	36.40	720.76	721.48	719.27	927.39
2 Building Materials (25)	985.66	....	14.62	6.20	8.42	45.79	985.09	988.02	978.98	1142.39
3 Contracting, Construction (31)	1136.06	+0.2	16.45	7.08	7.90	59.77	1133.93	1133.25	1121.92	1551.82
4 Electricals (10)	1882.35	-0.1	14.93	7.09	8.19	99.95	1884.47	1884.58	1892.21	2664.89
5 Electronics (26)	1518.10	-1.4	10.55	5.67	12.63	72.18	1539.44	1539.64	1541.09	1930.96
6 Engineering-Aerospace (8)	398.60	-0.3	16.84	6.13	7.11	17.48	399.98	400.06	403.36	0.00
7 Engineering-General (47)	365.48	....	16.00	7.02	7.54	19.45	365.49	364.84	364.18	0.00
8 Metals and Metal Forming (8)	403.78	-0.1	22.63	8.52	5.46	26.05	404.32	404.30	403.29	478.70
9 Motors (13)	296.64	+0.2	16.82	8.11	6.93	17.66	295.99	293.93	294.24	386.31
10 Other Industrial Materials (20)	1243.92	....	13.50	6.57	8.57	63.45	1244.09	1249.32	1243.95	1738.28
21 CONSUMER GROUP (181)	1228.68	-0.2	9.97	4.24	12.47	39.15	1231.67	1233.24	1224.58	1331.80
22 Brewers and Distillers (22)	1591.87	-0.3	10.23	3.91	12.03	45.56	1597.40	1603.83	1591.91	1546.20
25 Food Manufacturing (20)	1030.91	-0.3	11.20	4.80	11.02	35.31	1034.03	1034.18	1032.12	1173.45
26 Food Retailing (16)	2283.15	-0.2	9.88	3.30	13.23	64.97	2287.95	2292.15	2281.68	2315.06
27 Health and Household (20)	2568.62	-0.1	6.95	2.95	17.03	59.28	2571.03	2576.85	2552.46	2722.96
29 Hotels and Leisure (22)	1208.61	-0.7	12.29	5.53	9.87	50.68	1217.10	1222.76	1205.61	1671.48
31 Media (25)	523.99	-0.3	10.20	6.56	12.04	24.40	525.71	521.57	522.34	0.00
32 Packaging & Paper (11)	2972.06	+0.1	12.09	6.38	10.35	140.95	2969.45	2956.44	2959.34	557.55
34 Stores (34)	784.81	-0.2	10.87	4.65	11.98	26.84	786.45	785.36	777.47	802.39
35 Textiles (11)	412.77	+0.2	14.11	8.60	9.10	27.62	412.07	412.00	411.36	529.97
40 OTHER GROUPS (111)	999.65	-1.4	12.74	5.78	9.50	43.33	1013.62	1015.61	1009.36	1204.08
41 Business Services (12)	954.52	+0.1	11.11	3.52	10.90	25.17	953.43	941.37	920.13	0.00
42 Chemicals (22)	1035.98	-0.8	13.10	6.51	9.01	52.01	1044.54	1046.75	1045.01	1242.60
43 Conglomerates (11)	1258.48	-3.1	13.98	7.95	8.51	74.22	1299.13	1303.21	1291.13	1637.07
44 Transport (15)	1912.40	+0.4	13.61	5.37	9.04	79.19	1905.49	1902.93	1899.25	2342.98
46 Electricity (12)	1141.07	-2.1	11.72	4.43	11.10	43.62	1165.21	1172.16	1164.99	0.00
47 Telephone Networks(3)	2204.34	-0.7	14.21	6.36	7.94	68.12	2220.60	2206.25	2188.87	1264.84
48 Water(10)	1557.84	-0.7	11.98	5.77	9.71	66.29	1568.61	1575.62	1569.52	0.00
49 Miscellaneous (26)	1033.85	-0.6	11.87	5.23	10.33	40.85	1039.99	1041.48	1035.33	1968.45
51 INDUSTRIAL GROUP (480)	2296.62	-0.8	9.74	5.55	13.41	95.66	2316.22	2339.50	2341.88	1205.72
59 Oil & Gas (20)	1137.75	-0.6	11.54	5.28	10.70	45.34	1144.96	1148.10	1142.54	2464.61
61 500 SHARE INDEX (500)	710.09	-0.5	-	6.75	-	35.44	713.30	715.13	712.63	1310.62
62 FINANCIAL GROUP (98)	757.98	-0.4	21.24	7.64	6.16	43.40	761.24	760.61	755.73	866.85
65 Banks (9)	1269.68	-0.6	-	6.05	-	55.82	1277.15	1280.71	1276.23	892.48
66 Insurance (Life) (7)	604.02	-1.6	-	7.08	-	32.08	613.71	619.31	618.77	1463.80
67 Insurance (Composite) (6)	1028.50	+1.6	7.36	6.30	17.81	48.39	1011.86	1005.07	994.74	768.11
68 Insurance (Brokers) (8)	355.41	-0.1	5.48	5.78	24.32	15.48	355.92	357.40	358.51	1187.21
69 Merchant Banks (7)	963.53	....	7.30	5.17	18.54	35.66	963.06	967.81	967.39	483.49
70 Property (41)	252.28	-0.1	10.87	7.21	11.64	14.03	252.56	253.51	253.63	1233.07
71 Other Financial (20)	1002.09	-0.4	-	4.04	-	31.06	1006.30	1009.26	1008.16	340.64
91 Investment Trusts (69)	1201.81	-0.2	11.88	7.69	10.02	70.90	1203.87	1206.92	1200.81	1296.98
99 ALL-SHARE INDEX (667)	1032.25	-0.6	-	5.47	-	42.52	1038.43	1041.26	1036.52	1204.70

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 28	Dec 27	Dec 24	Dec 21	Dec 20	Year ago
FT-SE 100 SHARE INDEX‡	2143.5	-16.9	2152.5	2140.6	2160.4	2167.8	2156.3	2164.4	2158.8	2422.7

FIXED INTEREST

PRICE INDICES	Mon Dec 31	Day's change %	Fri Dec 28	Accrued interest	xd adj. 1990 to date
British Government					
1 Up to 5 years (28)	118.51	+0.05	118.45	1.62	12.81
2 5-15 years (32)	126.98	-0.07	127.07	2.26	13.63
3 Over 15 years (8)	129.61	-0.15	129.80	1.92	12.32
4 Irredeemables (6)	146.00	-0.12	146.18	1.28	14.69
5 All stocks (74)	126.18	-0.04	126.22	2.02	13.39
Index-Linked					
6 Up to 5 years (2)	156.88	+0.06	156.78	0.73	3.04
7 Over 5 years (10)	143.78	+0.15	143.56	0.72	4.15
8 All stocks (12)	144.65	+0.14	144.44	0.72	4.06
9 Debs & Loans (54)	104.21	-0.16	104.36	2.14	11.43

AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 31	Fri Dec 28	Year ago (approx.)
British Government				
1 Low	5 years	10.10	10.08	10.16
2 Coupons	15 years	10.31	10.29	9.58
3 (0%-7¾%)	25 years	10.32	10.31	9.52
4 Medium	5 years	11.14	11.13	11.03
5 Coupons	15 years	10.68	10.65	9.97
6 (8%-10¾%)	25 years	10.48	10.45	9.65
7 High	5 years	11.24	11.23	11.17
8 Coupons	15 years	10.87	10.84	10.17
9 (11%-)	25 years	10.66	10.62	9.78
10 Irredeemables	†	10.48	10.46	9.66
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.18	4.19	3.85
12 Inflation rate 5%	Over 5 yrs.	4.18	4.19	3.61
13 Inflation rate 10%	Up to 5 yrs.	2.86	2.86	2.96
14 Inflation rate 10%	Over 5 yrs.	4.00	4.00	3.44
15 Debs &	5 years	12.62	12.53	13.44
16 Loans	15 years	12.38	12.33	12.46
17	25 years	12.15	12.13	12.00

‡Opening index 2152.5; 9 am 2145.0; 10 am 2146.7; 11 am 2145.2; Noon 2142.7; 1 pm —; 2 pm —; 2.30 pm —; 3 pm —; 4.10 pm —; (a) 8.30am (b) 11.18am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. PREFERENCE INDEX (31/12/90): 74.33. YIELD. 12.77.

RISES AND FALLS FRIDAY

	On FRIDAY Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	0	54	32	0	172	86
Corps, Dom. & Foreign Bonds	0	5	16	1	14	48
Industrials	205	307	1,051	630	728	3,331
Financial and Props	69	178	501	288	375	1,581
Oils	10	47	36	53	80	146
Plantations	0	0	10	4	2	24
Mines	18	55	79	87	95	274
Others	23	103	87	163	169	297
Totals	325	749	1,812	1,226	1,635	5,787

RISES AND FALLS MONDAY

	Rises	Falls	Same
British Funds	0	51	35
Corporations, Dominion and Foreign Bonds	0	5	16
Industrials	228	252	1,083
Financial and Properties	128	141	479
Oils	22	15	56
Plantations	1	0	9
Mines	40	9	103
Others	22	62	130
Totals	441	535	1,911

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
50	Nil	-	8pm	4pm	Cattle Holdings 10p	4pm	
170	Nil	-	23pm	13pm	Control Techs. 10p	13pm	
65½	Nil	-	½pm	¼pm	Intl. Bus. Comms.	¼pm	-2
5	Nil	-	¼pm	¼pm	‡Mercham Man. Est. "A"	¼pm	-¼
14	Nil	-	1pm	1pm	New London 5p	1pm	
6	Nil	-	½pm	¼pm	‡Surrey Group 5p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ψ Unlisted securities market. ⁴ Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Dec. 17
- Last Dealings Jan. 4
- Last Declarations March 27
- For settlement April 8

For rate indications see end of London Share Service

Calls in Amersham Intl., Next and Sheraton Securities.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allied Lyons (*480)	420	63	80	87	1	5	10
	460	28	50	58	5	13	23
	500	7	28	35	26	32	42
ASDA	110	12	17	22	2	5½	6½
[illegible]							
Unilever (*683)	650	43	67	80	6½	20	26
	700	16	35	53	27	43	50
Ultramar (*324)	300	30	40	52	4	10	11
	330	10	23	33	13	22	25
[illegible]							
(*117)	120	4	11	16	9	12	14
Trafalgar (*199)	180	26	35	35	4	9	15
	200	9	24	25	9	19	25
Utd. Biscuits (*318)	300	24	34	40	3	11	13
	330	5½	19	24	26	25	28
Fisons (*368)	360	25	32	43	9	17	19
	390	10	18	30	28	33	35

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Amstrad (*62)	60	8	11½	14	3½	5½	7
	70	3½	7	10½	10	12	12½
Barclays (*362)	360	28	33	40	24	27	32
	390	12	23	28	44	47	52
[illegible]							
Abbey Nat. (*231)	220	21	24	29	8	10	12
	240	10	14	19	19	21	26

EURO FT-SE INDEX (*2143)								
[illegible]								
Feb	30	37	48	60	83	107	142	179
Mar	40	45	58	73	98	121	151	186
Jun †	-	75	-	103	-	145	-	209

December 31 Total Contracts 9,969
Calls 5,565 Puts 4,404
FT-SE Index Calls 3,179 Puts 2,627
Euro FT-SE Calls 163 Puts 119
*Underlying security price. † Long dated expiry months

Telfos forced to defer preference share payment

By Clay Harris

TELFOS HOLDINGS, the locomotive and railway rolling stock group, has been forced to defer the dividend due to be paid today on its 9 per cent preference shares.

The company's ordinary shares, on which no further dividends can be paid until the preference payment is made up, fell 7p to 103p after the announcement on New Year's Eve.

Telfos also extended its financial year end by three months to March 31, a delay intended to enable the proceeds of planned disposals to strengthen the published balance sheet.

It added that no indication had been received of the terms or price of a possible takeover offer which a client of IMI Securities last month said it was contemplating. The potential suitor is Jennenbacher, the Austrian rolling stock company, which holds about 2 per cent of Telfos.

Telfos said additional provisions arising from the agreed sale of its one-third stake in Euromagnetics Holdings, a manufacturer of magnetic storage media, had left insufficient distributable reserves to pay the dividend, which would have cost £134,000 including advance corporation tax.

It said £2.1m of guarantees relating to Euromagnetics had been called, £1.6m more than included in November's "interim assessment" which led to Telfos making a £7.1m provision against investments and contingent liabilities.

Telfos said it had a positive cash balance and treated the preference dividend omission as a technicality, noting that full provision had to be made for unrealised losses or other fall in assets' value, but that no account could be taken of unrealised gains or increased value.

The board said it was "pursuing a policy which should result in the balance of distributable reserves becoming positive in the next three to six months." The deferred preference dividend would be paid as soon as legally possible.

In 1989, Telfos reported pre-tax profits of £5.27m on turnover of £44m. On Monday, it said an unaudited report for the 12 months to December 31 would be issued in due course.

Completion day for British Sugar sale

By Simon London

The sale of British Sugar to Associated British Foods by Berisford International is due to be completed today after approval by the companies' shareholders at extraordinary general meetings last Friday.

The transaction will wipe out £880m of borrowings from Berisford's total debt burden of more than £1bn.

ABF will pay £583m in cash plus £18m of net profit covering the period from British Sugar's year end on September 30 to the completion date.

ABF will also assume £144m of British Sugar's debt and repay an additional £135m.

In the year to September 30, British Sugar made operating profits of £118m, before interest payments, on sales of £716m.

Berisford paid £282m for British Sugar in 1982. Before the sale, ABF had £1.25bn held in cash and short-term securities.

Fairhaven International £6m oil tanker disposal

By Michiyo Nakamoto

BLANDFORD Offshore Services, a wholly-owned subsidiary of Fairhaven International, the specialist oil, gas and petrochemical construction company, has announced the sale of its oil tanker, the Knock Bennan, to Atlan Shipping and Aztlan Shipping.

Fairhaven will accrue $11.25m (£5.9m) from the disposal, after allowing for the costs of cancellation of charter agreements. It plans to use the proceeds to repay bank loans secured on the vessel. There will be no significant gain or loss from the sale.

Mr James Davidson, chairman of Fairhaven, said that the decision to sell the tanker came in the wake of a strong upsurge in the offshore construction business which has encouraged the company to concentrate on its core business.

In the six months to June, the company reported interim pre-tax profits of $5.61m, against $1.31m, and "business in the second half has been at least as good", Mr Davidson said.

Golden Vale extends Welsh dairy interests

GOLDEN VALE, the Cork-based dairy-products concern, has extended its Welsh interests with the purchase of two milk delivery concerns, writes Anthony Moreton.

It has paid £3.5m for E Ladbrooke of Bridgend and Collins Dairies of nearby Llantrisant.

Golden Vale moved into Wales in 1989 with the purchase of Ceredigion Dairies of Cardiff.

A brave face amid the economic gloom

By Richard Gourlay

SIR DENYS Henderson, the chairman of Imperial Chemical Industries, yesterday put a brave face on a bleak beginning to 1991 by saying that companies such as ICI would emerge stronger and more keenly focused from the pervading economic gloom.

In a new year message to employees, the chairman of Britain's largest chemical company warned that businesses faced painful decisions but said that the future offered great opportunities.

"In a recession it always looks as if things will never pick up, but they always do," Sir Denys said, promising more "sharpening" of activities.

"In the meantime we need to keep our courage, keep cool and get our heads down to our key tasks."

Sir Denys has already instituted some significant cost cutting following an exhaustive review of ICI's cash flow.

In early October he announced that the group proposed to cut at least £100m off planned capital spending of £1bn in 1991.

Before Christmas, ICI warned that pre-tax profits this year may not reach £1bn, sparking some City speculation about how many times the 1991 dividend is likely to be covered.

Sir Denys said the coming year would be a test of ICI's quality. Measures taken now would ensure the group could take advantage of opportunities in eastern Europe, the single European market and the growing Asia-Pacific region.

However, the year was beginning with business confidence much lower than a year ago and with "even greater uncertainty about world economies, overshadowed by the crisis in the Gulf," he said.

UK pension fund value falls by 11%

By Richard Gourlay

THE VALUE of UK pension funds fell by 11 per cent in 1990 as fears of recession and high interest rates hit many world stock markets, according to a study of 2,500 pension portfolios with assets of £220bn.

As a result returns on portfolios for the year will be the lowest recorded since 1974, according to the study by the W M Company, an Edinburgh-based performance measurement consultant.

Taken over longer periods, investment returns still exceed the main inflation indicators. The five years to end-1990, for example, yielded a return of 11 per cent compared to retail price rises of 6 per cent and average earnings increases of 9 per cent, the study said.

The study covered funds accounting for 77 per cent of the value of the UK pension fund market and assessed the average returns on the funds.

On average, the funds are expected to have performed in line with the FT-A All Share Index, which fell 10 per cent over the year. But they will have outperformed the Overseas Equities index, which fell 28 per cent, because the funds were underweight in Japan, where the stock market fell by 45 per cent.

The year ended stronger than many UK pension fund managers and trustees had anticipated after most major markets recovered in the last quarter, the study said.

Investments in cash and UK bonds yielded the highest returns with the indices rising 16 and 8 per cent respectively. The worst returns came from Overseas Equities and overseas property, where returns fell 28 and 24 per cent respectively.

In terms of asset structure, 54 per cent of total assets were invested in UK equities at the beginning and the end of the year. There was a one percentage point increase in the holding of UK bonds, to 6 per cent, and Overseas Bonds, to 3 per cent, while cash holdings rose two percentage points to 8 per cent.

The trend towards less investment in overseas equities continued, and accounted for 20 per cent of total assets, down two percentage points by the end of the third quarter. Investments in the US accounted for 29 per cent of the overseas funds, up a point from January 1990, while continental Europe increased its share from 32 per cent to 37 per cent.

Overseas equity investment in Japan continued to fall, ending September at only 20 per cent of overseas funds compared to 25 per cent at the end of 1989.

COMPANY NEWS IN BRIEF

ASSOCIATED BRITISH Consultants has acquired Mavitta, a private company involved in computer aided design and contract draughting. Consideration was £500,000, comprising £300,000 cash and the issue of an £200,000 unsecured loan note. Additional consideration up to £600,000 depends on Mavitta's performance.

BABCOCK INTERNATIONAL has acquired King-Wilkinson, a UK-based engineering company, for an initial consideration of $2.3m (£1.2m) cash. Further consideration, of up to $1.7m, may become payable in February.

BETT BROTHERS has sold its Newlandsfield, Glasgow, site to a national supermarket chain, which will give rise to a revenue profit of £4.5m. Directors warn that further provisions may be necessary against property developments in the south and south-east.

CABRA ESTATES has sold two trading assets for £4.15m. The properties are located at Stoke-on-Trent and were part of the original portfolio purchased from the Summit Group in November 1989.

COOK (WILLIAM) has bought the assets and trade and other creditors of the Unitcast division of NACO. Consideration is a maximum $14m cash, payable in four stages. Unitcast, based in Toledo, Ohio, supplies steel castings to the railroad, road freight, materials handling, construction, military and mining industries in the US.

CRESTA HOLDINGS has further rationalised by the sale for £800,000 of Print Centres, its Isle of Man printing and publishing company, to Mannin Printing.

EPWIN GROUP is investing a further £1m in its Telford uPVC extrusion factory, thereby increasing output capacity by 20 per cent.

EMESS has entered into a grant and leaseback arrangement on its property at Hanworth Trading Estate with Hambros Leasing for a premium of £4m cash. The consideration will be used to reduce indebtedness and increase working capital.

ENERGY AND Technical Services, a subsidiary of Compagnie Générale de Chauffe, has made a recommended offer for Aid-Call, which designs and supplies monitors and medical alarm systems for elderly people.

HARLAND SIMON has paid a nominal consideration, and will discharge trade creditors of $250,000, for the business and assets of Opposite, a US based company whose business is imaging systems for continuous process industries.

INTERNATIONAL MEDIA Communications rights issue has been accepted in respect of 56.06m new ordinary (74.25 per cent).The balance will be subscribed for by the underwriter and sub-underwriters.

INVERNIA WEST has raised some I£1.65m through the placing of 3.45m shares at 48p each. Funds will be used to finance the acceleration and expansion of the exploration programme on the Rathdowney trend in Ireland and on the double A tenement and surrounding areas in Western Australia.

METO INTERNATIONAL, a leading supplier of retail equipment and supplies, has acquired Kimball TI Europe from Midway Holding. Terms of the acquisition were not disclosed. Kimball offers an extensive line of printers and labels.

NEWMAN TONKS Group has acquired O Mustad et Fils, a Rouen-based manufacturer of door control equipment, for an initial FFr 10m (£1m) cash with additional deferred amounts totalling FFr 6m.

SEAFIELD has formed a joint venture company with Monevest, a specialised real estate development and distribution company currently involved in projects in Texas and Europe. Seafield will inject an initial £300,000 into Monevest and make a line of credit available over the next 12 months of £700,000.

UNION SQUARE has conditionally agreed to sell AG&S to Mr Anthony Green and Mr Antony Spencer, joint managing directors of Union Square. Consideration is £100,000 but Union Square will buy back property management business and pay AG&S £94,000. Mr Green and Mr Spencer will leave Union Square but retain their shareholdings.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Kleinwort Benson Gilt Fund.

FUTURE DATES

Interims-	
ASDA	Jan. 9
Banks (Sidney C)	Jan. 9
Cantors	Jan. 14
East Midlands Elect.	Jan. 8
Manweb	Jan. 10
Finals-	
Alexanders Hldgs.	Jan. 9
BAT Industries	Mar. 20
Group Dev. Cap. Trust	Jan. 18
Smith & Nephew	Mar. 21

UK COMPANY NEWS

Three categories for success

Jane Fuller on the formula behind Spring Ram's prodigious growth

ASK MR Bill Rooney, chairman of The Spring Ram Corporation, what has been the secret of the bathroom and kitchen company's prodigious growth and he replies "magic beans" and runs from the room to bring in a jar full of brightly coloured little balls.

"We tell people that we each eat one of these every day because they won't believe that it is just common sense."

Whatever the explanation, the outcome is a group that showed an annual rate of pre-tax profit growth of 53 per cent in its first 10 years of operation. The only apparent blemish on its record is a failed attempt to sell bathrooms through an automotive distributor, which led to a £1.2m extraordinary charge in 1989.

Spring Ram recently celebrated its 11th birthday in a tough year for companies related to the UK housebuilding and home improvement markets.

Nevertheless, it is estimated to have increased pre-tax profit by about 25 per cent to £30m in 1990, on similar sales growth to £150m. Its performance has earned the CBI's 1990 Business Enterprise Award.

It has increased market share in both bathroom suites and kitchens. In the former it claims 20 per cent, behind Armitage Shanks, a subsidiary of Blue Circle Industries, and Caradon, part of MB Group. While in kitchens, headed by the manufacturer-retailers MFI and Magnet, it has grown to nearly 12 per cent.

Bearing in mind that the UK kitchen market alone is worth about £1bn a year, Mr Rooney argues that even if 1990 did see a 10 per cent decline, there is still a huge pool to fish in.

Leaving magic beans aside, his explanation of the group's success falls into three categories: market-led products of guaranteed quality at lower, unchanging prices; short delivery times, the company's standard is 48 hours; and motivated people, notably the 40 directors who run 12 constituent companies.

The subsidiaries have typically developed organically in a process similar to biological budding. In 1989, for instance, the Chippendale range of kitchens became a subsidiary in its own right.

So far the group, which joined the main market in

Francis Galvin (left), chief executive of the kitchens division, with David Riley, his counterpart in the bathrooms sector

December 1985, has run up against capacity constraints rather than flagging demand in markets that have generally grown with consumer affluence. Its expansion plans run to £85m over the next three years, which will more than double factory space to 2.9m sq ft and increase the workforce from 1,650 to just over 3,100. One of the few questions raised by analysts was how the company would handle such a rapid increase in capacity.

The plan contains several Spring Ram hallmarks. First, it owns the land; second, it plans to finance the programme from its own resources; and third, it will go for the most technically advanced equipment.

In contrast to MFI and Magnet, which became burdened with debt through buy-outs, Spring Ram had built up £15.2m cash by the end of 1989. If it maintains its record of setting aside less than 5 per cent of after-tax profit for dividends, the pot is likely to have doubled in 1990.

Having highly automated plant has been an important factor in keeping down unit costs. In ceramics, Mr Henry Johnston, production director at Spring Bathrooms in Bradford, said the jobs had been "de-skilled", making them more appropriate for a non-Potteries workforce. The policy also facilitates the avoidance of unionised and restrictive craftworking.

Centrepiece of the £85m investment programme will be a new 700,000 sq ft ceramics factory, including a tile-making plant to replace the present stream of imported products.

Mr Rooney said only 40 per cent of the UK tile market was being satisfied by domestic producers.

Import replacement has been a strong theme in Spring Ram's expansion. At its 500,000 sq ft kitchens factory at Scunthorpe, workers are being trained to use new woodworking machinery to make cupboard doors previously bought in from Taiwan and Italy.

The lines do not just supply in-house needs. Mr Alan Bell, managing director of Next Dimensions which makes own-label ranges for such customers as B&Q, said that of the 14,000 worktops produced each week, only 3,000 went to the group.

Apart from modern machinery, another critical factor in managing costs has been use of the group's growing muscle to keep down raw material prices.

Mr Francis Galvin, main board director for the kitchen division, said: "We get maintained prices by assuring orders a long way ahead and by offering growth."

Part of the bargain driven with suppliers sounds a little less sweet, but it does illustrate the group's canny approach to funding.

Spring Ram takes an average of 70 days to pay, while it collects debts in 28. This brand of cash management has helped interest income to be the third largest profit earner.

As the group uses up funds and perhaps goes into debt to fund the building programme, one of the questions is whether developing businesses, such as the woodworking plant, will come through with profits on schedule to fill any gap.

Meanwhile, the drive to keep down costs is evident in every corner of the operation. At the ceramics factory, excess slip and broken pieces are recycled, while at Scunthorpe, sawdust sucked up from the woodworking machines fuels the heaters.

In one area, however, there is an apparent duplication (or more) of effort. Each subsidiary has its own sales force, which can lead to several visits to the same retailer.

The advantage is that each range of products is pushed in a dedicated way, five days a week. Mr Galvin described each subsidiary as "aiming at a different socio-economic group and run by a different type of guy".

Once the retailer is enlisted – it may be a builders' merchant, DIY superstore or independent high street specialist – it is guaranteed a fixed profit margin on sales. "We also do all the promotion, displays, literature, advertising and training," said Mr Galvin.

So far the whole operation has created a virtuous circle of increased volume, lower unit costs and bigger profits. The group's executives exude such optimism about the future that one of the few doubts raised in speaking to them is whether they would be loath to sour the atmosphere by admitting a mistake.

Although the spectacular progress of the 1980s cannot be maintained, analysts are convinced that the present plans will keep profits growing for the next few years, although one did temper his praise by saying that some of Spring Ram's advance could be put down to weak points in the competition.

According to the directors, the group must keep coming up with good ideas aimed at large markets. Moving into furniture for other parts of the house would be an example.

To implement the ideas, having the confidence to keep investing is a key factor. "The industry is full of under-capitalised companies," said Mr Galvin.

As the group gets bigger, two of its strengths will be increasingly tested: the ability of central management to combine financial discipline with appropriate backing for entrepreneurial ideas, and the informal but effective communication between the heads of semi-autonomous businesses.

The end of a miserable year

Richard Lapper looks back on a poor 12 months for UK insurers

THE announcement on Monday by Guardian Royal Exchange that it is to sell its loss-making Italian subsidiaries for a nominal sum provided a fitting end to what has been a miserable year for the UK insurance industry.

Only Commercial Union of the UK's five composite insurance companies is expected to register profits for 1990 and according to Mr Chris Pountain, analyst with Morgan Stanley, 1990 "could be the sector's worst year for decades."

Many companies are likely to be hard pressed to maintain the growth of dividends when they issue their results for 1990 later this winter.

In addition, GRE's hasty retreat from its Italian engagements is yet another reminder of how accident prone the British insurance industry seems to be when it comes to expansion through acquisitions.

The ill-starred expansion into the estate agency business in the UK by the Prudential and several other insurance companies is the most recent example. This is particularly worrying at a time when the British insurance industry is lagging so far behind some of its powerful European competitors in the race to establish a solid foundation for future expansion on a pan European basis.

GRE's decision to sell its two general insurers, Sipea and Cidas, taken following a three-month review of its Italian operations by Coopers & Lybrand Deloitte, was not unexpected. GRE had taken a calculated risk when along with its Italian joint venture partner, Istituto Bancario San Paolo di Torino, it acquired the two companies, along with life company Polaris Vita, from Acqua Marcia, the financial holding company, in March 1989.

A report by Coopers, conducted early in 1989, had warned GRE that management information was deficient at both companies which specialise in writing motor business in southern Italy. Moreover, both companies were possibly undereserved.

But with one eye on the liberalisation of the European financial services markets, GRE was attracted by the possibility of gaining a foothold in the rapidly growing Italian life insurance market.

The company believed its ownership of Polaris Vita and the distribution network offered by San Paolo's branch network in prosperous northern Italy offered it the best means of doing this.

In the event though, GRE has been overwhelmed by the size of claims coming out of southern Italy. At £52.2m, underwiting losses from Italy for the first six months of 1990 were greater than GRE's worldwide losses in the same period of 1989. GRE had, perhaps, been overconfident about its ability to introduce new management systems and reduce expenses which at both companies ate up 40 per cent plus of premium income.

The company found its room for manoeuvre limited by the tight regulation of Italian motor premiums (approvals for price increases are granted only once a year) and by legal difficulties in closing agencies (through which most insurance is sold in Italy).

In the circumstances, the eventual losses to £71m can be seen as a damage limitation exercise, which pales when compared with the £230m plus lost by Prudential on its network of estate agents. General Accident has also made substantial losses on its ill-fated acquisition of the NZI Bank. Royal Insurance and General Accident have also racked up substantial losses on their estate agency acquisitions.

All these losses are compounding problems brought about by straightforward underwriting losses. Last winter's storms, which led to record numbers of claims, were followed by a dry summer and a wave of subsidence claims which threaten to produce industry-wide losses for 1990 of £800m.

Motor claims, though less dramatic, continued to climb steadily. The steady escalation in the value of personal injury awards to victims of industrial, motor and other accidents has continued.

GRE warned on Monday that it was strengthening its reserves against future claims on its liability business "to reflect a more pessimistic view of personal injury awards."

A report by analysts at Smith New Court Research in October indicated that GRE could be undereserved on its employers' liability policies by between £60m and £90m.

Insurers have also been hit by an increase in recession-related claims. The increase in the number of theft and arson-related commercial fires is related to the economic downturn.

Eagle Star, the general insurance arm of BAT Industries, has made provisions of £250m against future losses on its mortgage indemnity business, a class of business its underwriters entered from 1987 onwards.

The collapse in the property market has led to claims on a number of policies insuring lenders against default on loans to the developers of commercial and residential properties.

UK INSURERS' RESULTS

	Year to end-Dec	Pre-tax £m	EPS p	Dividend net p
Commercial Union	1989	150.5	21.7	21.5
	1990	45.0*	5.0*	–
General Accident	1989	147.0	32.7	25.0
	1990	(70.0)*	(8.0)*	–
Guardian Royal Exchange	1989	148.3	11.4	11.5
	1990	(85.0)*	(8.0)*	–
Royal Insurance	1989	125.6	18.6	25.5
	1990	(120.0)*	(14.0)*	–
Sun Alliance	1989	318.6	27.2	12.5
	1990	(85.0)*	(6.0)*	–

* Estimate

Source: SG Warburg report November 1, 1990

Baring tops league of UK bid advisers

By Brian Bollen

BARING BROTHERS has taken over as the most active leading adviser on takeover bids for UK publicly-quoted companies.

According to the latest survey by FT Mergers & Acquisitions International, Baring took over the top position in the final quarter, ousting Lazard Brothers which had led throughout the year.

Baring advised on nine deals, worth £2.6bn, while J Henry Schroder Wagg came second with 13 deals worth £2.3bn. Lazard slid to third, advising on 17 bids worth £2.1bn.

The table covers only bids which have been declared unconditional, been referred to the Monopolies and Mergers Commission, or lapsed. Current deals, such as Northern Telecom of Canada's £1.39bn offer for the UK's STC, are not included.

The table confirms once again that UK takeover activity was severely depressed in 1990 by continued high interest rates, poor stock market performance and general economic and political uncertainty.

When SG Warburg led a year ago it boasted 29 deals totalling £26bn, although that figure was distorted by Hoylake's £13.5bn bid for BAT Industries.

The biggest qualifying UK bid in 1990 was the £1.11bn hostile takeover of Globe Investment Trust by British Coal Pension Funds.

Baring owes its position largely to three deals: the unsuccessful defence of Globe Investment Trust; the £1.1bn merger between insurers Willis Faber of the UK and Corroon & Black of the US; and the £491m offer for property company London & Edinburgh Trust by Swedish insurance company SPP.

Underlining the dearth of new bids in the fourth quarter, Schroder and Lazard both reported just one each, for £259m and £18m respectively.

The £644m enforced bid by Brierley Investments for Mount Charlotte boosted the fortunes of advisers Samuel Montagu and Robert Fleming significantly.

Goldman Sachs, which has now topped the international league table for three years in succession, is the only foreign bank in the UK top 10. It owes its presence there principally to its involvement in the Willis-Corroon merger.

In terms of completed bids for all UK companies, the rankings look slightly different although the overall picture is broadly similar.

Lazard leads when bids for private companies and subsidiaries are included, with 36 deals totalling £5.1bn. But that is still less than a fifth of the £26.8bn recorded by Warburg when it led in that category in 1989.

When bids by British companies abroad are included, Schroder moves into the number one position, with Lazard second and Warburg third.

COMPLETED BIDS FOR UK COMPANIES 1990

Adviser (final 1989 position)	Value of bids £m	Number
1. Baring Bros (18)	2,635	9
2. Schroder Wagg (8)	2,331	13
3. Lazard Bros (2)	2,097	17
4. Samuel Montagu (14)	1,758	14
5. Barclays de Zoete Wedd (17)	1,725	14
6. Kleinwort Benson (10)	1,385	13
7. SG Warburg (1)	1,287	8
8. NM Rothschild (11)	1,019	7
9. Goldman Sachs (3)	915	3
10. Robert Fleming (19)	908	6
11. Hambros (5)	752	8
12. UBS Phillips & Drew (–)	731	10
13. Hambro Magan (–)	728	3
14. Morgan Grenfell (9)	687	14
15. Hill Samuel (–)	439	6
16. MacArthur & Co. (–)	299	1
17. Paribas (–)	256	2
18. Charterhouse (20)	205	4
19. Merrill Lynch (–)	192	1
20. Salomon Bros (–)	166	4

Source: FT Mergers & Acquisitions International

WORLD COMMODITIES PRICES

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$23.70-3.85t	+1.13
Brent Blend (dated)	$25.15-5.25	-1.55
Brent Blend (February)	$27.75-7.85	+1.05
W.T.I. (1 pm est)	$28.25-8.30t	+0.90
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$271-274	+6
Gas Oil	$285-287	+7
Heavy Fuel Oil	$139-142	+3
Naphtha	$278-282	+11
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$391.5	-5.05
Silver (per troy oz)♣	419.25c	+9.8
Platinum (per troy oz)	$215.55	+3.55
Palladium (per troy oz)	$81.75	-0.80
Aluminium (free market)	$1540	
Copper (US Producer)	117c	
Lead (US Producer)	50c	
Nickel (free market)	384c	
Tin (Kuala Lumpur market)	15.00r	
Tin (New York)	261c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	108.70p	
Sheep (dead weight)†	162.83p	
Pigs (live weight)†	81.31p	
London daily sugar (raw)	$237.0z	-6.4
London daily sugar (white)	$301.0z	-4.0
Tate and Lyle export price	£231.0	-7.0
Barley (English feed)	£122.5z	
Maize (US No. 3 yellow)	£163.0	
Wheat (US Dark Northern)	£87.0	
Rubber (Feb)♥	51.50p	-0.50
Rubber (Mar)♥	51.75p	-0.50
Rubber (KL RSS No 1 Jan)	240.0m	
Coconut oil (Philippines)§	Unq	
Palm Oil (Malaysian)§	Unq	
Copra (Philippines)§	Unq	
Soyabeans (US)	£137v	
Cotton "A" index	85.35c	+0.35
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	209.40	209.00	209.20	207.00
May	212.00	212.80	212.00	211.00
Aug	216.20	217.00	216.00	
Oct	216.20	217.00	216.00	
May	218.60		214.20	
White	**Close**	**Previous**	**High/Low**	
Mar	297.9	299.0	299.0	296.5
May	297.0	298.5	297.2	296.0
Aug	304.1	305.0	304.7	303.5

Turnover: Raw 371 (2035) lots of 50 tonnes. White 133 (985)
Paris- White (FFr per tonne): Mar 1525, Aug 1581, Oct 1476.

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Feb	28.27	27.04	28.36	27.35
Mar	26.91	25.91	26.95	26.15
Apr	25.80	24.90	25.80	25.65
Jun	24.95	23.35	24.60	24.15
IPE Index	26.76	26.48		

Turnover 4363 (15716)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Jan	272.75	266.00	275.50	268.00
Feb	259.50	252.00	261.00	254.00
Mar	246.00	238.25	247.00	240.25
Apr	233.00	223.00	233.00	226.00
May	227.00	218.50	227.00	222.00
Jun	222.00	213.00	225.50	218.00
Jul	221.00	212.25	221.00	220.00

Turnover 4310 (15848) lots of 100 tonnes

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	598		598	
Mar	651	658	658	647
May	686	692	693	681
Jul	711	719	718	710
Sep	741	748	748	740
Dec	770	781	780	770
Mar	797	810	800	797

Turnover: 5015 (2611) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 28 886.10 (885.42) 10 day average for Dec 28 895.33 (897.89)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Jan	610	604	610	596
Mar	577	575	577	571
May	581	580	587	580
Jul	597	596	597	
Sep	612	612	610	
Nov	624	625	624	

Turnover:811 (3293) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 27: Comp. daily 69.79 (70.46). 15 day average 73.14 (73.34)

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	391.00-392.00	
Opening	391.00-392.00	
Morning fix	391.00	203.011
Afternoon fix		
Day's high	-	-
Day's low	-	-

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.88	6 months	5.49
2 months	5.74	12 months	5.34
3 months	5.61		

Silver fix	p/fine oz	US cts equiv
Spot	217.30	419.25
3 months	224.20	426.70
6 months	230.95	434.55
12 months	244.40	450.70

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	394.2	394.0	392.5	392.5
Feb	396.2	396.2	396.5	394.3
Mar	397.6	397.8	0	0
Apr	399.7	399.6	400.0	398.0
Jun	403.5	403.3	403.7	402.0
Aug	407.1	406.9	0	0
Oct	410.6	410.4	0	0
Dec	414.2	414.0	414.0	413.5
Feb	418.2	416.0	417.0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	408.7	409.9	409.5	406.0
Apr	414.0	415.3	415.5	413.0
Jul	418.8	420.3	419.0	0
Oct	422.8	424.3	0	0
Jan	427.6	429.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	419.2	419.0	419.0	414.5
Feb	422.0	421.8	0	0
Mar	424.7	424.6	426.5	420.1
May	430.6	430.4	431.0	427.0
Jul	436.2	436.0	437.5	434.0
Sep	441.8	441.6	0	0
Dec	449.6	449.3	448.0	0
Jan	451.7	451.4	0	0
Mar	458.1	457.8	0	0
May	464.0	463.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	118.30	115.80	119.00	116.30
Feb	118.05	115.60	118.10	117.90
Mar	116.85	114.10	117.80	114.90
Apr	115.40	112.85	0	0
May	113.75	111.40	114.60	112.20
Jun	112.60	110.40	0	0
Jul	111.45	109.40	111.60	110.50
Aug	110.65	108.50	0	0
Sep	109.80	107.60	108.50	0
Oct	109.10	106.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	28.44	27.57	28.70	28.00
Mar	27.80	26.89	27.95	27.40
Apr	26.71	25.87	26.60	26.40
May	25.80	24.98	25.80	25.55
Jun	25.02	24.24	25.05	24.84
Jul	24.40	23.67	24.50	23.95
Aug	23.94	23.25	23.90	23.70
Sep	23.61	22.94	23.50	23.25
Oct	23.40	22.74	23.20	22.90
Nov	23.23	22.59	23.00	22.72

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	7920	7791	8005	7900
Mar	7602	7402	7645	7500
Apr	7150	6982	7220	7140
May	6825	6677	6900	6850
Jun	6605	6462	6665	6570
Jul	6505	6367	6570	6450
Aug	6530	6392	6610	6480
Sep	6630	6492	0	0
Oct	6710	6572	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1150	1150	0	0
May	1193	1193	0	0
Jul	1238	1236	0	0
Sep	1272	1272	0	0
Dec	1328	1328	0	0
Mar	1368	1368	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	88.65	88.65	0	0
May	91.15	91.15	0	0
Jul	93.70	93.70	0	0
Sep	95.60	95.60	0	0
Dec	98.15	98.15	0	0
Mar	103.80	103.80	0	0
May	103.75	103.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.37	9.37	0	0
May	9.50	9.50	0	0
Jul	9.51	9.51	0	0
Oct	9.64	9.64	0	0
Mar	9.35	9.35	0	0
May	9.77	9.77	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	77.80	77.80	0	0
May	76.19	76.19	0	0
Jul	75.34	75.34	0	0
Oct	68.12	68.12	0	0
Dec	65.28	65.28	0	0
Mar	66.25	66.25	0	0
May	66.70	66.70	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	113.50	113.50	0	0
Mar	116.15	116.15	0	0
May	119.00	119.00	0	0
Jul	120.65	120.65	0	0
Sep	121.30	121.30	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	559/6	558/0	562/4	559/2
Mar	574/6	573/4	577/4	574/0
May	588/6	585/4	591/0	588/2
Jul	603/0	600/0	604/4	602/0
Aug	605/0	603/0	607/0	605/0
Sep	602/6	604/4	606/4	602/4
Nov	606/4	606/4	609/0	606/0
Jan	619/6	619/2	620/0	619/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.74	20.70	20.85	20.68
Mar	21.07	21.09	21.17	21.02
May	21.43	21.42	21.55	21.39
Jul	21.67	21.67	21.70	21.60
Aug	21.62	21.65	21.72	21.62
Sep	21.65	21.65	21.70	21.65
Oct	21.85	21.67	21.75	21.85
Dec	21.58	21.65	21.75	21.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	164.5	162.7	165.0	163.2
Mar	169.7	168.8	170.5	169.3
May	173.6	172.7	174.5	173.3
Jul	178.0	176.6	178.6	177.6
Aug	179.4	178.4	179.8	179.4
Sep	178.7	178.3	179.0	178.5
Oct	178.5	178.2	0	0
Dec	181.2	181.5	181.8	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	250/2	251/0	250/6	249/6
Mar	231/6	232/6	233/2	231/4
May	239/4	240/4	240/4	239/2
Jul	246/2	247/2	247/2	246/0
Sep	248/6	248/6	249/2	248/4
Mar	257/0	257/4	257/2	256/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	260/4	261/6	262/4	260/4
May	266/4	268/4	269/4	266/0
Jul	271/2	272/0	273/0	269/4
Sep	278/4	278/2	280/0	276/6
Dec	288/4	290/6	290/2	288/0
Mar	294/6	295/2	294/6	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	77.20	77.20	77.35	77.05
Apr	76.47	76.27	76.50	76.15
Jun	74.82	74.77	74.90	74.62
Aug	73.10	73.02	73.15	72.97
Oct	73.00	72.80	73.10	72.90
Dec	73.50	73.40	73.50	0
Feb	73.80	73.80	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	48.87	49.02	49.07	48.80
Apr	46.87	47.15	47.10	46.80
Jun	51.37	51.62	51.62	51.30
Jul	51.30	51.62	51.55	51.25
Aug	49.87	49.82	49.80	49.80
Oct	45.10	44.85	45.10	44.80
Dec	45.35	45.40	0	45.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.10	63.30	63.30	62.50
Mar	62.60	62.77	62.90	62.27
May	63.60	63.60	63.65	62.86
Jul	63.55	63.60	63.55	62.85
Aug	61.05	61.25	0	61.05

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 31	Dec 28	mnth ago	yr ago
1709.2	1714.1	1783.3	1816.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 28	Dec 27	mnth ago	yr ago
Spot	124.15	123.31	123.02	127.28
Futures	127.37	126.39	124.80	129.36

LONDON STOCK EXCHANGE

Nervous finish to a troubled year

THE UK stock market ended 1990 in subdued form, with share prices still drifting lower in the face of growing uncertainty over the Gulf situation and recessionary pressures in the US and the UK. A sharp rise in bullion prices and a modest decline in the US dollar underlined concern about the near-term outlook.

There was active dealing in the futures and options markets, where it was expiry day for the FT-SE option and also for the December futures contract. Turnover, however, in UK government bonds was light and prices shaded by a mere ¼ of a point or so towards the longer end of the range.

As expected, the FT-SE option saw substantial activity, with heavy trading in December call options as traders sought to square positions ahead of the expiry deadline.

Account Dealing Dates

*First Dealings:		
Dec 10	Dec 31	Jan 14
Option Declarations:		
Dec 27	Jan 10	Jan 24
Last Dealings:		
Dec 28	Jan 11	Jan 25
Account Day:		
Jan 7	Jan 21	Feb 4

*New-time dealings may take place from 8.30 am two business days earlier.

In the FT-SE futures sector the December contract expired without obvious strain, and attention switched to the March contract, which is now the market's investment vehicle for trading equity futures.

At the close of business, sellers of the March Footsie contract came out in force. However, traders were unwilling to read much significance into this development, which may have reflected little more than unwillingness by securities houses to leave positions open over the new year break.

Trading volume in the underlying equity market remained relatively thin until the expiry deadline for the FT-SE December futures contract inspired a rush of business in the blue chips as securities houses unravelled positions. Nearly 70m shares were traded between 11.00am and noon, a substantial contribution to the total Seaq volume of 129.9m shares for the New Year's Eve half-day session. On the previous Friday, the last full trading day of the year, 249.3m shares passed through the Seaq network.

The threat of conflict in the Gulf after the United Nations deadline for Iraqi withdrawal from Kuwait expires on January 15 overshadowed all other factors, but investors were also expressing concern over the recessionary pressures now surfacing in the US economy.

Equities opened lower and extended their losses as many traders backed away ahead of the futures expiry. The FT-SE Index slipped to a near 20-point loss at one stage and a rally towards the 12.30pm close had little substance.

At its final reading for the year, the FT-SE stood at 2,143.5, a fall on the day of 16.9 points. The index has lost 11.5 per cent over the year (See Chart) as worries about, firstly, interest rates, and more latterly, recessionary pressures, have been intensified by the serious developments in the Gulf and in eastern Europe.

Underlying sentiment in the market, however, is by no means negative. If the Gulf situation can be resolved without disaster, the London stock market hopes to see shares begin to recover later in 1991.

County NatWest, a leading marketmaker in the UK, reminded investors on New Year's Eve that institutional cash balances remain high, with cash flow perhaps at £7.2bn in the third quarter of 1990. This, believes County, should be positive for UK equities even if a substantial portion is likely to move into overseas markets.

It comments that the year saw a "surprisingly high commitment" of institutional funds to UK equities, although liquid asset totals continued to rise strongly against a backcloth of substantially reduced investment overseas.

FINANCIAL TIMES STOCK INDICES

	Dec 31	Dec 28	Dec 27	Dec 24	Dec 21	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.03	82.11	82.20	82.24	82.53	84.29	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.62	90.62	90.69	90.90	90.90	92.52	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1673.7	1685.2	1687.8	1678.9	1688.4	1916.8	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	154.6	150.0	149.9	151.3	148.5	308.1	378.5 (8/2)	136.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2143.5	2160.4	2167.8	2156.3	2164.4	2422.7	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	938.05♣	937.25	946.51	958.19♣	955.33	-	1003.35 (6/12)	937.25 (28/12)	1003.35 (6/12/90)	937.25 (28/12/90)
Ord. Div. Yield	5.73	5.70	5.68	5.72	5.68	4.45				
Earning Yld %(full)	11.98	11.89	11.87	11.93	11.86	10.90				
P/E Ratio(Net)(☆)	10.10	10.16	10.18	10.12	10.18	11.11				
SEAQ Bargns 12.45pm	15,018	31,618	22,370	22,425	32,227	25,347				
Equity Turnover(£m)†	-	381.78	375.74	243.36	926.69	666.38				
Equity Bargains†	-	34,084	24,940	21,921	34,928	28,910				
Shares Traded (ml)†	-	207.8	198.9	120.9	450.3	323.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90 ☆ Nil 9.93 ♣ Indicative.

Ordinary Share Index, Hourly changes — Day's High 1681.0 — Day's Low 1671.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1681.0	1674.9	1675.8	1674.6	1672.4	-	-	-	-

FT-SE, Hourly changes — Day's High 2152.5 — Day's Low 2140.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2152.5	2145.0	2146.7	2145.2	2142.7	-	-	-	-

FT-SE Eurotrack 100, hourly changes — Day's High 939.15 — Day's Low 937.21

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
937.21	938.83	938.88	938.09	-	-	-

GILT EDGED ACTIVITY

Indices*	Dec 28	Dec 27
Gilt Edged Bargains	36.1	37.8
5-Day average	52.3	61.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Unsettled by GRE warning

THE COMPOSITE insurance sector suffered from another bout of weakness after Guardian Royal Exchange issued a profits warning, along with news that it had reached agreement to sell its loss-making Italian insurance businesses.

GRE shares slipped to 180½p at one point before steadying to close a net 6 off at 182p; turnover was a respectable 767,000 shares. Other composites fell in sympathy, Commercial Union losing 8 to 457p, General Accident also 8 to 472p, Royals 4 to 393p and Sun Alliance 3 to 330p.

The market picked up hints that the sale of the Italian interests was imminent some two weeks ago, when GRE called a meeting of insurance analysts only to cancel it the following day. GRE has called an analysts meeting for this morning.

Mr Zoussef Ziai, an insurance specialist at UBS Phillips & Drew, said the sale of the Italian interests, acquired in February 1989, was "overall, good news". He added: "It is better for GRE to bite the bullet now rather than wait for the situation to worsen." He described the Italian automobile insurance market as "awful, with absolutely no prospect of an upturn".

GRE said its second half figures would include a strengthening of reserves to reflect a more pessimistic view of personal injury awards. The move to increase provisions on GRE's personal liability account would hasten an upturn in rates, the UBS analyst added. GRE suffered a pretax loss of £83.8m in its half year to end-June, against £100.1m for the same period the previous year, mainly because of big payouts for storm damage and subsidence claims.

Insurance brokers were barely altered for much of the session but staged a strong run during the closing minutes of trading. Willis Corroon, which from this morning joins the FT-SE 100 index, climbed 6½ to 279p; Hoare Govett described Willis as a "cyclical recovery stock" and forecast an "impressive profits recovery on the back of the reduction in surplus capacity in the industry". Sedgwick put on 5 to 239p.

There was plenty of action in the electricity distribution companies, where another flurry of selling by private investors led marketmakers to cut levels at the outset. The downside pressure soon abated, however, and institutional support left the majority of prices marginally higher on the day.

Southern Electric, the most active stock with turnover of 3.1m shares, settled a shade firmer at 141p. Eastern, on 3m, was not far behind and managed a small rise to 138p. The Electricity Package gained £7 at £1465.

Water issues, on the other hand, drifted easier; the Water Package fell £30 to £2640.

Turnover was thin in the electronics and telecommunications sector, which has seen active trading in the second half of the year. The sector featured in the end of year recommendation lists from several UK brokerage firms. Most of the recommendations were positive, and among shares tipped as buys were British Telecommunications and Cable and Wireless. But there was less optimism for Ferranti.

Stores put on a fairly steady showing as the market waited for the first indications of how trading in the crucial pre-Christmas period had fared. Traders said they expected unofficial information tomorrow.

Monday's best performers were Kingfisher, up a penny at 371p, Pentos, 2 better at 109p, and Storehouse, ½ firmer at 117p ex-dividend. Marks and Spencer, Sears and Burton all ended unchanged.

Amber Day, which owns the Review and Woodhouse men's clothing chains and last year acquired What Everyone Wants, benefited from inclusion in a press list of recommended stocks for 1991. The shares peaked at 65½p and ended a penny up on balance at 65p.

Among other stocks to be helped by inclusion in "tip of the year" lists, SmithKline Beecham improved 3 to 633p and Reuters also moved up 3 to 703p, while Eurotunnel finished 15 to the good at 370p after more than a fortnight of weakness.

Berisford, continuing to benefit from an extraordinary meeting's approval last week of the sale of its British Sugar operation, appreciated 3 to 21p.

A single steady buyer accounted for Associated British Foods' rise of a penny to 421p, against the trend of the wider market.

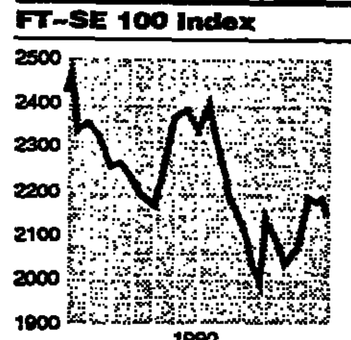
Telfos Holdings, the locomotive and rolling stock group, retreated 7 to 103p after stating that "the dividend due to be paid on January 2 on the 9 per cent preference shares cannot legally be paid due to insufficient distributable reserves".

Macdonald Martin, the whisky distiller best known for its Glenmorangie brand, advanced 20 to 540p. The directors bought stock in the company several times during 1990, although the market in the shares is so small that a price movement of 20p or more is commonplace.

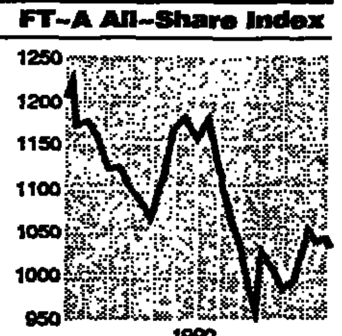
The transfer of Abbott Mead Vickers from the Agencies sector of the market to the Business Support classification, deemed to be less vulnerable to recession, helped the shares harden 2 to 175p.

■ Other Market statistics, including the FT-Actuaries share index, Page 16

FT-SE 100 Index



FT-A All-Share Index

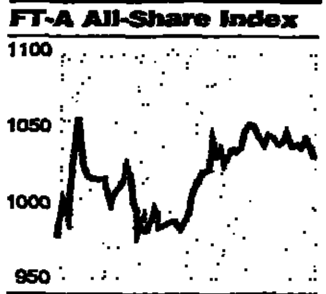


Quarterly and annual percentage changes

1	2	3	4	Year	1	2	3	4	Year
-7.2	5.6	-16.2	+7.7	-11.5	-7.4	5.0	-17.8	+7.9	-13.8

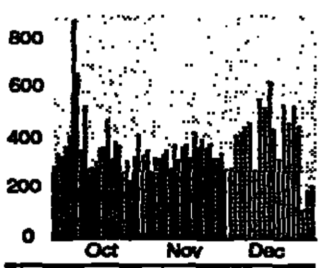
After achieving new peaks in the first week of 1990, the UK stock market spent the rest of the year struggling against the implications of high interest rates and the onset of recession.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (10).
STORES (1) Amber Day, ELECTRICALS (1) STC, INDUSTRIALS (4) London Intl., Nu-Swift, Sanders & Sidney, SmithKline Beecham A, TRUSTS (4) Exmoor Dual Zero Crp Prf., Gartmore Amer. Sec. Zero Prf., Sphere Trust Zero Div Prf., TR Tech. Zero Prf.
NEW LOWS (84).
AMERICANS (1) Gt. American 1st Savings Bank, CANADIANS (1) Hawker Siddeley Can., BUILDINGS (2) McAlpine (A), Phoenix Timber, STORES (2) Chelsea Man, Ratners 5¾pc Prf., ELECTRICALS (7) Control Techs., Harland Simon, Logitek, Prestwick 7¼pc Prf., Systems Reliability, TGI, Western Selection, ELECTRICITY (8) London, Midlands, Reg. Elect. Package, ENGINEERING (4) Beauford, Do. 7p Cnv. Prf., MS Intl., Utd. Inds., FOODS (1) Cullens Hldgs., INDUSTRIALS (17) BSS, BTR wrrts. 94/95, Caparo Inds., Continuous Stationery, Daimler Benz, Ensor, Hanson wrrts., Ibex, Kelsey Inds., Levercrest, Marling Inds., NMC, Sterling Inds., Tinsley (Eliza), Utd. Uniform Servs., Whitecroft, Whittington, INSURANCE (1) USF & G Corp., MOTORS (1) ABI Leis., NEWSPAPERS (2) Sterling Publishing, Summer Intl. 7.5pc Prf., PAPERS (6) API, Addison Consultancy, Crown Comms., Shandwick, Tinsley Robor, Waverley Cameron, PROPERTY (1) Claytorn Props., TEXTILES (1) Cupid, TRANSPORT (1) Norish, TRUSTS (11) Archimedes Inc., Drayton Cons., Dundee & London, Electra Inv., Fleming Ins. High Inc., I & S Optimum Inc., Latin Amer. Inv., Do. wrrts., Melville Street Invs., TR High Inc., Tyndall Hldgs., MINES (1) Minorco, THIRD MARKET (1) Neven Res.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	70	113	
ASDA Group	1,000	119	
Abbey National	952	231	
Allied-Lyons	1,300	481	+4
Amstrad	198	62	
Anglian Water	188	271	-3
Argos	53	246	
Argyll Group	798	246	-2
Ass. Brit. Foods	250	421	+1
BAA	306	415	
BAT Inds.	943	577	-8
BET	544	168	-1
BICC	188	331	-1
BOC	345	485	-10
BPB Inds.	395	180½	-2½
BTR	1,100	321	
Bank of Scotland	370	117	-1
Barclays	942	382	-1
Bass	152	1049	-4
Beazer	45	100	+1
Berisford Int.	634	21	+3
Blue Circle	253	219	
Boots	958	320	-2
Brit. Aerospace	149	523	-1
British Airways	414	143	
British Gas	3,400	225	-4½
British Land	24	274	
BP	3,600	334	-2
British Steel	1,700	117½	
British Telecom	3,600	294	-3
Bunzl	0	69	-1
Burmah Castrol	117	568	-2
Burton	259	77	
Cable & Wire.	805	448	
Cadbury	795	319	-1
Calor Group	31	242	+1
Carlton Comms.	24	394	-2
Coats Viyella	30	108	
Comm. Union	401	457	-8
Cookson	255	105	
Courtaulds	223	328	-2
Dalgety	113	351	
Dixons	5	140	-1
ECC Group	119	351	
Eastern Elect.	3,000	138	+1
East Midland Elect.	2,700	148	+1
Enterprise Oil	213	607	+1
FKI	348	49	+1
Ferranti	8	14	
Fisons	529	369	-3
Gen. Accident	481	472	-8
General Elect.	2,900	170	-2½
Glaxo	920	848	-5
Glynwed Int.	40	217	
Granada	108	180	-2
Grand Met.	767	675	-2
GUS A	148	1065	
GRE	767	182	-6
GKN	129	329	+1
Guinness	514	761	-2
Hammerson 'A'	97	621	-1
Hanson	5,100	185	-2½
Hanson Warrants	0	32	-1
Harrisons Crosfield	306	137	-1
Hawker Sidd.	123	439	+1
Hillsdown	242	245	-3
IMI	37	205	
ICI	486	866	-8
Inchcape	6	234	
Kingfisher	217	371	+1
Ladbroke	818	248	-2
Land Securities	342	520	-1
Laporte	52	473	+3
Legal & General	230	360	-5
Lloyds Abbey	113	330	+1
Lloyds Bank	848	296	-2
LASMO	187	377	-3
London Elect.	2,400	139	+1
Lonrho	317	220	-1
Lucas	535	148	+1
MB Caradon	161	163	
MEPC	222	492	+1
Manpower	8	58	-½
Manweb	1,900	185	-3
Marks & Spencer	1,800	273	
Maxwell Comms.	619	151	+3½
Midland Bank	558	187	-2
Midlands Elect.	1,700	138	
NatWest Bank	1,000	267	-2
Next	560	16	-½
North West Water	527	268	-3
Northern Elect.	1,300	147	
Northern Foods	29	333	-1
Northumbrian Water	5	279	-1
Norweb	1,600	148	+2
Pearson	175	656	-2
P & O	200	536	
Pilkington	2,100	178½	+½
Prudential	1,200	196	-1
RHM	176	295	
RMC	138	648	-1
RTZ	610	451	
Racal	743	172	-1
Racal Telecom	209	257	-3½
Rank Org.	237	623	-1
Reckitt & Colman	125	1238	+3
Redland	347	568	+4
Reed Intl.	457	377	-1
Reg. Elect. Pkg Uts	9	£1465	+7
Reuters	281	703	+3
Rolls Royce	839	180	-1
Rothmans	133	746	-4
Ryl Bk Scotland	608	160	
Royal Insurance	290	393	-4
STC	254	323½	+1½
Saatchi	0	35	
Sainsbury	899	307	
Scottish & New.	186	358	-2
Sears	805	85	
Sedgwick	163	239	+5
Seeboard	2,700	143	+2
Severn Trent Water	286	244	-3
Shell Transport	2,500	458	-4
Siebe	21	338	
Slough Ests	114	238	
Smith (W.H.) A	8	383	
Smith & Nephew	476	104½	-½
SmKl Beecham	792	633	+3
SmKl Beecham Uts.	29	2775	+12
Smiths Inds.	89	224	
Southern Elect.	3,100	141	+½
South Wales Elect.	1,700	168	-2½
South West Water	19	263	-1
South West. Elect.	1,500	149	-1
Southern Water	344	248	-2
Standard Chartd.	270	259	-1
Storehouse	120	117	+½
Sun Alliance	471	330	-3
Sun Life	0	1110	
T&N	72	152	
TI Group	64	405	-1
TSB	890	136	
Tarmac	367	243	+1
Tate & Lyle	29	274	-1
Taylor Woodrow	0	215	
Tesco	1,300	228	-1
Thames Water	281	273	-2
Thorn EMI	142	677	
Trafalgar House	382	189	
Trusthouse Forte	601	245	-4
Ultramar	202	324	
Unigate	139	270	
Unilever	634	683	-4
United Biscuits	259	318	-1
Utd. Newspapers	3	304	-2
Water Package Uts.	0	£2640	-30
Wellcome	713	437	+2
Welsh Water	27	275	-2
Wessex Water	14	252	-2
Whitbread 'A'	746	437	-6
Wiggins Teape	1,500	182	-1
Williams Hldgs.	15	231	+1
Willis Corroon	648	279	+6½
Wimpey	11	208	+1
Yorkshire Elect.	3,100	158½	
Yorkshire Water	234	267	-3

Based on trading volume for most Alpha securities dealt through the SEAQ system Monday until 12.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]						

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

1990 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]						

Index-Linked

(b) (1) (2)

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
19¼	524p	Chem. Banking Corpn.	566p	-16	$1.00	-	9.0
12⅞	5⅞	Chrysler $6¼	6⅞		$1.20	-	9.0
18¾	5⅞	Citicorp $1	6½		$2.46	-	18.3
40⅞	29⅞	Colgate-Palmolive $1	39⅞		$1.80	-	2.3
12¾	386p	Cont'l Bank Corp $4	462p	-14	$1.00	-	11.0
268p	51p	Corporate Data Scnce	51p				
22⅞	10⅞	Dana Corp. $1	15⅞		$1.60	-	5.4
768p	178p	Data General	221p	-10			
[illegible]							

CANADIANS

[illegible]

Continued on next page

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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9⅞	......	Q28%	2.1	8.7	5.4
303	133	ANZ $A1	133	......	Q38c	♦	11.0	♦
234	172	Abbey National 10p	231	......	5.7	4.3	3.3	9.4
•274	128	Allied Irish Ord	143	......	1040%	3.3	6.3	6.5
85	47	Anglo Irish	57	......	Q18.6%	2.3	7.3	7.5
93	60	Ansbacher (H.) 1p	60	......	2.5	1.3	5.6	17.3
£71⅛	£32⅞	Bancaire Cie Fr100	£44⅞	+⅛	MQ12¼%	–	2.9	–
£22⅛	£12⅞	Banco Bilbao Viz	£13¼	+¼	Q49.1%	2.7	6.0	9.1
£58⅞	£25⅞	Banco de Santander	£25⅞	......	Q24.7%	2.5	4.0	10.0
286	130	Bank Ireland Ir£1	154	......	Q14.7%	2.9	8.5	5.4
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
129½	100	Bank Scotland	117	–1	†4.55	3.4	5.2	7.5
101¼	83¼	Do. 9¼pc Irrd Pf	96½	......	9¼%	–	12.8	–
54	39	Bank of Wales	42	......	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	362	–1	†h19.57	3.5	7.2	5.0
22	10	Benchmark 20p	12	+1	0.75	–	8.3	–
335	205	Brown Shipley £1	205	......	±12.0	2.2	‡	6.6
•435	285	Cater Allen £1	389	......	F24.5	–	8.4	–
179	29	Chancery	44	......	†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£15⅞	–⅛	Q18%	–	3.9	–
£13⅛	620	Dai Ichi KBk Y50	750	......	Q17%	6.2	0.5	35.4
£313⅞	£189⅞	Deutsche Bk DM50	£207⅞	......	Q29%	–	2.3	–
£20⅞	£14⅝	Espirito Santo	£16⅜	–⅛	Q75c	5.1	2.3	8.4
253	166	First Nat. Fin. 10p	179	–1	13.0	2.1	9.7	6.2
121	82	FNFC 6.3pc Cv. Pf	88xd	–5	6.3%	–	9.5	–
£13¼	633	Fuji Bank Y50	939	+10	†Q17%	6.9	0.4	39.9
325	262	Gerrard & National	316	+1	19.0	–	8.0	–
154	75	Guinness Mahon 10p	77	......	1.45	♦	2.5	♦
328	194	Hambros 20p	235	–1	†11.5	–	6.5	–
128	88	Do 7.5pc Cv Pf	100	......	7½%	–	10.0	–
53½	29	HK & Shang HK$2.50	31	–½	†hQ38c	–	8.2	–
478	373	Joseph (Leo) £1	378	......	15.85	–	5.6	–
150	105	King & Shaxson 20p	125	......	10.25	–	10.9	–
422	262	Kleinwort Benson Grp	277	–1	16.0	2.5	7.7	6.6
642	316	Kyowa Bank Y50	388	–4	Q14%	♦	0.8	♦
316	220	Lloyds £1	296	–2	†13.3	2.6	6.0	6.9
56	44	Lon. Scot. Bank 10p	49	......	†2.4	1.9	6.5	9.7
404	176	Midland £1	187	–2	†18.0	2.6	12.8	3.9
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	......	†Q17%	♦	0.3	♦
£12¼	£4⅞	Mitsubishi Tst & Bk Y50	£6¼	–⅛	Q17%	12.4	0.6	13.0
£10⅛	£4⅞	Mitsui Taiyo Kobe Y50	£7¼	–⅛	†Q16%	6.0	0.4	39.5
904	410	Mitsui Tst & Bk Y50	547	–8	Q17%	♦	0.6	♦
326	203	Nat Aust. Bk. A$1	212	......	Q55c	♦	10.0	♦
368	227	NatWest £1	267	–2	†16.7	3.3	8.3	4.9
£210	£110	Ottoman Bank	£115	......	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	–1	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	168	......	8.4	q2.5	7.0	7.6
795	338	Saitama Bank Y50	379	–6	♦Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	750	......	Q17%	6.7	0.5	32.9
902½	613	Schroders £1	703	......	h12.5	5.9	2.4	9.5
712½	413	Do. £1 N/V	443	......	h12.5	5.9	3.8	6.0
£25¼	£9¼	Sec. Pacific $10	£11⅛	......	Q$2.52	–	11.5	–
616	235	Standard Chartd. £1	259	–1	35.0	1.4	18.0	(4.9)
£16¼	£5⅛	Sumitomo Bank Y50	£7⅞	–⅛	hQ16%	7.5	0.4	31.4
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅞	–⅛	Q17%	6.9	0.6	25.2
147	114	TSB	136	......	†5.8	2.5	5.4	8.8
175	114	TSB Bank Ch'nel Is'l	123xd	+½	Q8.0	♦	6.5	♦
£463	£4¼	Tokai Bank Y50	£5⅞	–⅛	Q16%	4.1	0.8	38.9
920	484	Toyo Tst & Bk Y50	658	–7	♦Q15.2%	6.9	0.5	29.4
611	499	Union Discount £1	574	......	33.0	–	7.7	–
525	284	Warburg (S.G.)	335	......	15.0	3.0	6.0	7.5
180	98	Do 6pc Cnv Prf	115	+1	6%	–	7.0	–
279	134	Westpac $A1	134	......	Q52.5c	♦	15.1	♦
420	293	Wintrust 20p	295	......	8.7	4.2	3.9	8.2
969	509	Yasuda Tst & Bk. Y50	683	–2	Q17%	5.9	0.6	30.2

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	58	......	±Q18.5%	3.2	‡	2.4
71	44½	Cambridge Grp Ir50p	47	......	†Q7½%	15.6	0.7	11.4
55	11	Capital Leasing Ir10p	37½	+½	♦Q17%	3.5	2.8	9.3
•64	46	Cattle's (Hldgs) 10p	55xr	......	K3.8	1.9	9.2	8.4
426	362	Prov. Financial	406	......	†20.5	2.1	6.7	9.4
•232	130	Reflex Invs. Ir50p	138½	+½	†gQ51%	7.9	1.7	10.2
225	192	Secure Trust Grp. 1p	197	......	18.5	2.8	5.8	8.3
210	135	Woodchester IR20p	165	......	†Q16.7%	5.9	1.8	12.3

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]	[illegible]	Oxford Virology 5p...y	15	......	–	–	–	–
83	6	Paddington 5p......y	6	......	–	–	–	–
118	65	Ramsden's (Harry)...y	77½	+½	4.5	♦	7.8	♦
38	5	Sempernova ....y	6	......	–	–	–	1.3
		For Sleepy Kids see LEISURE						
3½	1¼	System Connections.y	1¼	......	–	–	–	–
		For Tomorrows Leisure see LEISURE						
55	27	UPL Group 10p......y	32	......	–	–	–	–
89	8	Video Magic Leis. 1p y	8	......	–	–	–	–
6¼	1¼	Vista Ents 5p........y	1¼	......	–	–	–	–
5½	1¼	Wilton Group 1p...y	1¼	......	–	–	–	5.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535/4(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... y	708	......
Finlay Pkg. 5p.... y	38	......
Holt (Jos) 25p.....y	1305	......

IRISH

Cap. 8½% Ln. 1991...	£98¾	......
9pc Cap Ln. 1996..	£93	......
Fin. 13% 97/02...	£118¼	......
Arnotts...............	260	......
Carrol (P.J.).........	154	......
Helton Hldgs.......y	40	......
IRG....................	135	......
United Drug..........	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	40.04	40.46	43.04	-0.61	6.38
Gilts & Fixed Int	6	109.0	109.0xd	115.7	-0.1	9.94
High Inc Equity	6	117.4	120.7	128.3	-1.0	4.95
Worldwide Bond	6	191.7	191.7xd	203.2	-0.6	7.36
Capital Growth						
American Growth	6	152.7	153.9	166.7	-2.6	1.17
Asian Pacific	6	95.91	97.95	104.2	-1.6	0.19
Assets & Earnings	6	143.9	147.5xd	156.9	-0.6	3.45
Capital Reserve Acc	0	99.60	99.60	99.72	-0.05	7.16
Capital Reserve Inc	0	83.72	83.72	83.82	-0.07	7.16
Comdty & Energy	6	70.75	72.36	76.97	+0.81	1.29
1992 Enterprise	6	54.36	55.78	59.33	-0.17	3.59
Euro Capital Acc	6	81.63	82.77	88.05	+0.71	1.36
Euro Capital Inc	6	78.38	79.47	84.54	+0.74	1.36
General	6	149.30	152.6	162.3	+2.1	3.08
Japan	6	80.71	81.30	86.48	-1.0	0.00
Mastertrust	6	75.45	76.69	81.58	+0.2	3.15
UK Growth Acc	6	133.0	140.0	148.9	+4.3	2.96
UK Growth Dist	6	86.01	90.57	96.35	+1.0	2.96
US Emerging Cos	6	43.82	44.74	47.59	+0.12	0.00

Brown Shipley & Co Ltd (1000)F

9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	70.29	70.29	74.86	-0.45	3.48
Mngd P'folio Acc	6	125.3	125.3	133.4	-0.80	-
UK General	6	101.8	101.8	108.4	-0.40	5.00
Com & General	6	16.52	16.52xd	17.59	-0.16	9.97
European Inc	6	18.43	18.43	19.90	-0.10	0.57
European Acc	6	18.83	18.83	20.34	-0.10	-
Exempt	3	248.6	248.6xd	263.3	-2.40	4.98
Financial	6	103.2	103.2	109.9	-1.40	6.13
German	6	33.23	33.23xd	35.59	-0.04	0.11
High Income	6	59.40	59.40	63.26	-0.60	8.07
Income	6	83.62	87.82	93.09	-0.52	6.05
Intl Income	6	72.38	74.06xd	78.87	-0.58	4.88
Intl Growth	6	22.61	22.61	24.08	-0.33	0.28
Monthly Income	6	47.38	49.15	52.10	-0.65	6.39
North American	6	52.71	52.71xd	56.14	-1.03	0.39
Orient	6	84.73	84.73	90.24	-1.36	-
PEP	5	48.85	48.85	51.52	-0.15	5.02
Recovery	6	31.07	31.07xd	33.09	-0.30	2.91
Smaller Cos Acc	6	165.8	165.8	176.6	-1.10	-
Smaller Cos Inc	6	100.2	100.2	106.7	-0.80	2.78

Brycourt Unit Tst Mgmt Ltd (1400)F

Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	164.9	164.9	171.6	...	6.88

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

Confederation Funds Mngt Ltd (1200)F

Lytton Way, Stevenage, Herts SG1 2NN 0438 744840

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fund	6	35.63	35.63	38.10	-0.19	6.6
High Income	6	22.80	22.80	24.25	-0.14	9.8
Japan	6	19.97	19.97	21.24	-0.30	0.7
Property Shares	6	22.79	22.79	24.24	-0.09	5.1
Smaller Cos	6	17.12	17.12xd	18.45	-0.09	7.3
Canadian Exempt	3	40.9	42.01	43.30	-0.67	3.2
European Exempt	3	47.52	48.48	49.97	-0.17	3.6
Pacific Exempt	3	33.71	34.05	35.10	-0.45	1.7
US Exempt	3	39.24	39.88	41.11	-0.53	4.4
North American	6	17.83	17.83	18.96	-0.29	4.2
European	6	20.27	20.27xd	21.56	...	3.6

Consistent Unit Tst Mngt Co Ltd (1200)F

1 White Hart Yd, London Bridge SE1 1NX 071 407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Consistent UT	5	24.40	24.40	26.00	...	6.04

Co-op Pension Fds UT Mgrs Ltd (1000)F

78-80 Cornhill, London EC3V 3NJ 071-283 9494

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist Dec 31	0	586.4	586.4	598.3	...	5.04
Equity Acc Dec 17	0	1265.8	1265.8	1291.5	...	5.04

Cornhill Unit Trust Mngrs Ltd (1000)F

PO Box 136, Beckenham, Kent BR3 4XR 081-658 9611

Crown Unit Tst Services Ltd (1200)H

GT Unit Managers Ltd (1200)H

8th Floor, 8 Devonshire Sq, London EC2M 4YJ Dealing 071-626 9431
071-283 2575

Gartmore Fund Managers (1200)F

Gartmore House, 16-18 Monument Street London EC3R 8AJ 071-782 2000
Dealings only 0277-264421
Investor Services: Freephone 0800-289 336

Kleinwort Benson Unit Trusts -Contd.

* Yield expressed as CAR (Compound Annual Rate)

LAS Unit Tst Mngrs Ltd (1000)H

113 Dundas St, Edinburgh EH3 5EB

Martin Currie Unit Trusts Ltd (0905)H

48 Melville St, Edinburgh EH3 7HF Dlng.031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)(2)	5¼	76.19	77.41	82.17	+0.37	0.51
Income & Growth	5¼	51.98	53.01	56.27	+1.01	5.71
European (2)	5¼	49.16	49.77	52.83	+0.63	1.11
Nth American (2)	5¼	30.28	30.75	32.64	+0.15	1.61
Intl Growth(4-1)	5¼	50.11	51.19	54.34	-0.49	0.93
UK Growth	5¼	45.78	46.96	49.85	+1.35	3.47
Intl Income	5¼	41.36	41.89xd	44.46	-0.07	7.31
High Yield	5¼	40.64	41.27	43.81	-0.16	8.40
Charities	5¼	79.86	81.04	86.02	-0.13	7.11
Japan	5¼	32.57	32.84	34.86	-0.16	-

Matheson Unit Trust Managers Ltd (1200)H

Admin: 5 Rayleigh Rd Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (4-1)	6	58.15	59.92	63.74	-0.40	3.88
UK High Income	6	30.40	31.10	33.09	-0.25	6.10

NM Unit Trust Mngrs (1200)H

The Bilton Centre, North Harbour, Portsmouth
Enquiries, 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	25.29	25.38xd	27.07	-0.33	1.88
(Accum Units)	5¼	27.06	27.16	28.97	-0.36	1.88
Australian	5¼	135.0	135.4	145.2	-2.0	2.47
(Accum Units)	5¼	153.7	154.1	165.3	-2.3	2.47
Conscience	5¼	42.26	43.17xd	46.07	-0.28	1.69
(Accum Units)	5¼	44.33	45.29	48.33	-0.19	1.69
European	5¼	127.7	129.1	137.7	-0.2	1.13
(Accum Units)	5¼	134.8	136.3	145.3	-0.2	1.13
Extra Income	5¼	57.12	58.15	62.05	+0.71	9.85
(Accum Units)	5¼	76.19	77.56	82.77	+0.95	9.85
Far East Gth Acc	5¼	91.38	92.72	99.11	+0.35	0.31
Gilt & F.I.	5¼	50.61	50.61	53.57	-0.08	9.35
(Accum Units)	5¼	103.0	103.0	108.9	-0.2	9.35

NM Unit Trust Mngrs -Contd.

Save & Prosper Group -Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Gwth	5½	110.7	112.1	119.2	+1.2	0.04
Euro Inc & Gwth	5½	52.10	52.64	56.00	-0.08	6.28
Euro Smllr Co's	5½	37.63	37.63xd	40.03	+0.01	2.95
Exempt Income	3½	100.3	100.3	106.7	-0.4	7.43
Exempt Intl	3½	58.48	58.48	62.21	-0.34	0.69
Financial Secs	5½	98.52	98.52xd	104.8	-1	4.49
Gilt & Fxd Int Inc	5½	44.98	44.98	47.53	-0.01	9.53
Gold & Exploration	5½	33.94	33.94	36.10	+0.3	2.27
High Return	5½	204.6	207.5	220.7	-0.3	6.98
High Yield	5½	182.3	182.3	193.9	-0.5	6.38
Income	5½	94.51	94.51	100.5	-0.4	9.22
Intl Bond	5½	119.0	119.0	126.5	-0.5	7.48
ITU	5½	113.3	113.3	120.5	-0.1	3.19
Japan Growth	5½	87.18	87.18	92.74	-1.17	-
Japan Smaller	5½	139.0	139.0	147.8	-1.7	-

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

TSB Unit Trusts (1200)H

[illegible]

Target Trust Mngrs Ltd (1200)F

[illegible]

Templeton Unit Trust Managers Ltd (1200)F

[illegible]

Thornhill Unit Trust Managers Ltd (1200)F

[illegible]

Thornton Unit Managers Ltd (1000)F

[illegible]

Three Counties Asset Mngmt Ltd (1430)F

[illegible]

Timberlake Trust Mngrs Ltd (0900)F

[illegible]

Touche Remnant Unit Tst Mngt Ltd (1600)F

[illegible]

Trades Union Unit Tst Mngrs Ltd (1200)H

[illegible]

Triton Fd Mngrs Ltd (1000)H

[illegible]

United Charities Unit Trusts (1000)H

[illegible]

Wardley Unit Tst Mngrs Ltd (1000)F

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F

[illegible]

Wessex Asset Management (1330)F

[illegible]

Whittingdale Unit Tst Mngt Ltd

[illegible]

Willbro Financial Services Ltd (0905)F

[illegible]

Wright Seligman Fund Mngrs Ltd (1700)F

[illegible]

The Yorkshire Unit Tst Mngrs Ltd (1100)F

[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities/Charishare (1000)F

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fdgs

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court*

Henderson Unit Trust Management Ltd

Lazard Brothers & Co Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst*

[illegible]

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

[illegible]

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acuma Life Assurance Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc—Contd.

Ambassador Life Assce. Co. Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

County Life Plc

Crusader Insurance Plc

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange—Contd.

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance(z)

Manchester Unity Assurance

Manulife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd — Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	90 1	94 9	+0 1	-
Pension Managed Fd	86 1	90 6	+0 6	-
Life Deposit Fd	103 3	108 7	+0 1	-
Pension Deposit Fd	106.8	112 4	+0 1	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	100 4	105.7	----	-
Managed Growth	122 4	128 9	----	-
Managed Opportunity	117 6	123 8	----	-
NFMC Target Financial	88.7	93 4	----	
Pension Funds				
Managed Cautionary	106 1	111 7	----	-
Managed Growth	125 1	131 7	----	-
Managed Opportunity	119	125.3	----	-
NFMC Target Mngd Pens	1337.9	1408.4	----	

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	142.0	149 5	----	-
UK Equity	147 1	154 9	----	-
Overseas Equity	114 4	120.5	----	-
Fixed Interest	133.9	141 0	----	-
Property	126 9	133 6	----	-
Index Linked	143 3	150 9	----	-
Deposit	148 1	155 9	----	-
With Profits (B)	124.3	130 9	----	-

National Provident Institution

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

	Bid Price	Offer Price	+ or -	Yield Gross
Int Man Pension Fd	149.1	156.9	----	-
Int Man Ccncy Bd Fd		144 8	----	-
Int Man Ccncy Bd Fd(d)		131.3	----	-
Flexible Prop. Bd. Fd		201 3	----	-
Flexible Money Bd Fd		366.4	----	-
Special Man. Inc. Fd		133.5	----	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	139 0	147 0	-1 0	-
Accum Equity	196 0	207 0	-1 0	-
Accum Managed	199 0	210 0	-1.5	-
Accum Five Star	150 0	158.5	----	-
Accum World	107.5	113.5	-1 0	-
Accum Lifetime	101 4	101 4	+0.5	-
Pens Acc Equity	205.5	217 0	-1.5	-
Pens Acc Managed	236 0	249.0	-2 0	-
Pens Acc Intl	167 5	177 0	-2.0	-
Pens Acc Deposit	188.5	199 0	----	-
Pens Acc Five Star	158 5	167.0	-0.5	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	196 7	207 5	-2.3	-
UK Fixed Int Acc	165 2	174 3	+0.3	-
Intl Equities Acc	150.3	158.6	-0 2	-
UK Managed Acc	155.7	164.2	-1.6	-
Property Acc	223.6	235.9	-9.1	-
Money Acc	124 3	131.2	+0.1	-
Special Market Acc	119 6	126.2	+0.1	-

Royal Heritage Life Assurance Ltd

Scottish Provident Institution

Sun Life of Canada -Contd.

Albany International Assurance Ltd
Castletown, Isle of Man 0624 823262

Bryan Walls & Partners Ltd
Paxton Hse, 25 Haymarket, Ldn, SW1 071-930 8228

	Bid Price	Offer Price	+ or -	Yield Gross
Schroder Pen Fd	126.6	133.2	-0.2	-
Target Pen Fd	62.7	66.0	----	-
Target Bond Fd	87 7	92.4	----	-

Cameron Law & Company Ltd
148/149 St Charles St, Birmingham B3 021 2003132

	Bid Price	Offer Price	+ or -	Yield Gross
Moneymaker Mngd	134.4	141.5	+0.1	-
Moneymaker Spec Sits	63 7	67.1	-0.1	-
Griffin Fd	149.1	156.9	----	-
High Yield Inv Fd	102.3	107.6	----	-

James Campbell & Son Financial Services
38 Railway Rd, Coleraine Co. Londonderry 0265 44321

	Bid Price	Offer Price	+ or -	Yield Gross
Executive Pension	110.1	115 9	----	-

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey 0481 712176

Scottish Widows' Group

Sun Life Unit Assurance Ltd

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Provident Life Assoc Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Ass. Assn.

Standard Life Assurance Company

Teachers' Assurance Company Ltd

Pegasus Assurance Ltd

Save & Prosper Group

Templeton Life Assurance Limited

Pioneer Mutual Insurance Co Ltd

Prudential Assurance Co

Sun Alliance Group

Tunbridge Wells Equitable

Premium Life Assurance Co Ltd

Prudential Holborn Ltd

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Westgate Assurance Society

Prudential Holborn Pensions Ltd

Windsor Life Assur Co Ltd

Professional Life Assurance Co Ltd

Prudential Pensions Limited

Scottish Life Investments

Woolwich Life Assurance Ltd

Prolific Life & Pensions Ltd

Regency Life Assurance Co Ltd

Scottish Mutual Assurance Society

Scottish Mutual Investments

Zurich Life Assurance Co Ltd

Reliance Mutual

Sun Life of Canada (UK) Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Cigna Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Excelsis Assurance Group

Fincorp International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Sun Alliance International Life

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Schroder Intl Life

MANAGEMENT SERVICES

David M. Aaron (Personal) Fin. Plan. Ltd

The Analysis Group PLC

Chase de Vere PLC

Drummond Moores Plc

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Rojs Ltd

Gartmore Fund Managers Ltd

I.P.S. Limited plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Bowie F.S. Ltd

Northam Blogg & Partners

PBR Fund Management Ltd

Pembroke Financial Management Ltd

Rutland Ins Bkg & Inv Grp

Sharp (Albert E.) & Co

Siltala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

Barings Int Fd Managers (Guernsey) Ltd

Grofund Invest Managers (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Mngmt Services (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

J. D. Ward Financial Services Ltd

Baring Int Fund Managers (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Fleming Fund Mgrs (Guernsey) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

مكتبة من الأصل

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	Bid Price	Offer Price	+ or −	Yield Grss
M & G (Guernsey) Ltd				
Island Gold	1569.50	1669.7	+4.2	1.23
(Accum. Units)	2843.60	3025.1	+5.7	1.23
Merrill Lynch Guernsey				
Bangkok NAV Dec 28	$63.58		.....	–
Berla Portfolio NAV	$9.44		+0.15	–
NM Financial Mgmt Intl Ltd				
Mngd Currency (Sasp)	£–	–	.....	–
NM Portfolio Selection Fund Ltd (Suspended)				
Conscience	£–	–	.....	–
Far East Gwth	$–	–	.....	–
Smaller Co's	£–	–	.....	–
Special Sits	£–	–	.....	–
Intl Bond	$–	–	.....	–
American Fund	$–	–	.....	–
American Smaller Cos	$–	–	.....	–
Australian Fund	£–	–	.....	–
British Fund	£–	–	.....	–
European Fund	£–	–	.....	–
Gold Fund	£–	–	.....	–
Hong Kong Fund	£–	–	.....	–
International Fund	£–	–	.....	–
Japanese Fund	£–	–	.....	–
Japan Smaller Cos	£–	–	.....	–
Singapore & Malaysian	£–	–	.....	–
Dollar Fixed Interest	$–	–	.....	–
Sterling Fixed Int	£–	–	.....	–
Deutschemark Currency	DM–	–	.....	–
Dollar Currency	$–	–	.....	–
Sterling Currency	£–	–	.....	–
Yen Currency	Y–	–	.....	–
Managed Currency	£–	–	.....	–
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,610	2,636	.....	–
New Generation Fd S	$19.89	20.10	.....	–
Japan Index Alpha	Y7,634	7,748	.....	–
Jap Sector Rotation	Y6,935	7,037	.....	–
Jap Cap Gwth GB	[illegible]	[illegible]	.....	–
Prudential Intl Financial Services Ltd				
Holborn Currency Fund				
Managed Sterling	130.2	130.6	-0.01	10.76
Managed Dollar	$14.24	14.29	+0.03	7.59
Sterling Deposit	100.0	100.0	.....	10.37
Dollar Deposit	$10.00	10.00	.....	–
DM Deposit	DM50.59	50.78	.....	6.17
SWFr Deposit	SFr50.00	50.00	.....	–
J. Yen Deposit	Y5,049	5,068	.....	5.29
Saudi International (Guernsey) Ltd				
Intl Bond	$10.33	10.51	.....	–
Intl Dollar	$10.30	10.31	.....	–
Intl Equity	$10.54	10.90	.....	–
Falcon High Income	$89.37	89.37	.....	–

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St Helier, Jersey 0534 76029						
Stlg Fixed Int	5½	1.114	1.114	1.182		10.7
Offshore High Yield	3½	1.430	1.430	1.489	+0.01	14.61
Global Equity Fund	5½	$13.15	13.15	14.06	+0.05	1.10
European Equity	5½	[illegible]	15.87	16.97	-0.01	1.52
UK Growth (CI Fund)	5½	4.096	4.096	4.381	-0.54	3.70
Nth American Eqty	5½	8.776	8.776	9.357	+0.03	0.66
Far Eastern Eqty	5½	8.650	8.650	9.251	-0.16	1.53
Intnl. Bond Fund						
Sterling Managed	5½	£10.21	10.21	10.89	-0.01	8.80
US Dollar Managed	5½	$13.58	13.58	14.49	+0.02	6.54
International Currency Fund						
Sterling Managed	5½	24.82	24.82	26.26	-0.09	–
US Dollar Managed	5½	29.00	29.00	30.69	+0.02	–
Sterling	0	23.80	23.80	23.80	+0.01	13.46
US Dollar	0	37.19	37.19	37.19	+0.02	6.88
Deutschmark	0	[illegible]	58.26	58.26	+0.04	7.68
Japanese Yen	0	Y4736	4.736	4.736	+3	6.94
Swiss Franc	0	SF45.51	45.51	45.51	+0.03	7.38
Irish Punts	0	21.57	21.57	21.57	+0.01	7.60
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	9.287	9.305	9.548	-0.02	11.73
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Currnt Portfolio	6	87.65	87.65	92.98	-0.37	0.00
Gilt	3	91.15	91.15	93.98	-0.06	12.77
MIM Britannia International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5½	[illegible]	0.1653	0.1743	.....	9.47
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	54.41	54.41	56.84	-0.01	11.44
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	104.90	104.90	108.05	+0.11	13.50
Gilt & Fixed Interest	5	101.40	101.40	104.44	-0.11	11.63
Blue Chip & Gilt Eqty	5	43.91	43.91	46.62	-0.04	6.22
International Bond	5	99.99	99.99	104.99	-0.29	7.52
UK Equity	5	81.28	81.28	87.93	-0.03	1.62
International Equity	5	82.72	82.72	88.56	-1.17	0.43
Far Eastern	5	72.60	72.60	77.50	-1.29	0.00
European	5	67.34	67.34	71.36	-0.02	0.42
Pan American	5	80.67	80.67	85.67	-1.46	0.79
TSB Gilt Fund Ltd						
Quarterly Share	3	95.94	95.94	98.97	.....	11.11
Monthly Share	3	93.85	93.85	96.81	-0.01	11.36

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY MARKETS

Rates end 1990 on quiet note

THE CURRENCY and money markets ended 1990 on a quiet note with most key rates broadly stable. Changes in foreign exchange rates were due to position squaring as corporations made last-minute adjustments before the year-end to their currency holdings.

Sterling was given a lift after Mr Norman Lamont, UK chancellor of the exchequer, restated the UK government's view that economic pressures would not force a devaluation of the pound or a cut in interest rates. He said sterling's position within the European exchange rate mechanism would determine whether there could be any changes in monetary policy.

In spite of Mr Lamont's remarks the pound remained the weakest currency in the ERM. Mr Steve Barrow of Chemical Bank said this was partly due to the D-Mark's strength, but was also because the market feared that any sustained rise by sterling would tempt the authorities to reduce rates. The pound rose to DM2.8850 from DM2.8775; to \$1.9300 from \$1.9220; to FFr9.8200 from FFr9.7975; to Y261.75 from Y259.50; and to SFr2.4600 from SFr2.4575. Sterling finished higher in New York at \$1.9835.

The D-Mark was firm after the Bundesbank said it might raise interest rates to keep the currency strong. The Bundesbank council meets tomorrow, although most analysts believe the central bank is unlikely to decide on an immediate tightening of policy. The D-Mark rose to Y90.56 from Y90.17.

The US dollar moved in a narrow range in extremely thin dealings. The release of the December employment report on Friday is likely to keep the US currency in a tight band. Non-farm payroll employment is expected to decline by 150,000, compared with the 267,000 fall in the previous month.

The dollar closed lower at DM1.4950 from DM1.4975; at SFr1.2750 from SFr1.2780; and at FFr5.0875 from FFr5.0975; but higher at Y135.65 from Y135.05.

The Italian lira was slightly easier, although larger losses were prevented by the intervention of the Italian central bank, which sold DM121m and Ecu14.5m at the Milan fixing. The D-Mark was fixed at L754.40, up from L754.09.

ON THE LONDON MONEY MARKET, interest rates were stable on New Year's Eve as trading slowed before the holiday. The three-months interbank rate was unchanged at 14 1/16-14 per cent.

In the cash market, the Bank of England forecast a credit shortage of £500m, which was later revised to £800m, and compared with total assistance of £579m.

During the morning the Bank bought £523m of bills in band 1 at 13⅞ per cent. After lunch it purchased a further £46m of bank bills, of which £40m were in band 1 at 13⅞ per cent and the remainder in band 2 at 13¾. Late assistance of £10m was provided.

£ IN NEW YORK

Dec.31	Close	Previous Close
£ Spot	-	1.9290-1.9300
1 month	1.12-1.09pm	1.12-1.09pm
3 months	5.03-4.97pm	2.82-2.77pm
12 months	8.60-8.45pm	8.60-8.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9150 - 1.9325	1.9295 - 1.9305	1.12-1.08cpm	6.84	2.87-2.83pm	5.91
Ireland†	1.7670 - 1.7770	1.7770 - 1.7780	0.55-0.50cpm	3.54	1.65-1.55pm	3.60
Canada	1.1575 - 1.1615	1.1600 - 1.1610	0.35-0.40cdis	-3.88	1.02-1.12dis	-3.69
Netherlands	1.6815 - 1.7000	1.6860 - 1.6870	0.22-0.26cdis	-1.71	0.73-0.78dis	-1.79
Belgium	30.85 - 31.10	30.90 - 31.00	5.00-8.00cdis	-2.52	15.00-22.00dis	-2.39
Denmark	5.7750 - 5.8050	5.7750 - 5.7800	1.10-1.50oredis	-2.70	3.70-4.40dis	-2.80
Germany	1.4930 - 1.5080	1.4945 - 1.4955	0.16-0.19pfdis	-1.40	0.65-0.69dis	-1.79
Portugal	133.95 - 134.15	134.00 - 134.10	30-50cdis	-3.58	160-200dis	-5.37
Spain	95.50 - 96.10	95.50 - 95.60	53-60cdis	-7.10	155-171dis	-4.82
Italy	1127 - 1136	1127.75 - 1128.25	3.50-4.50liredis	-4.26	11.00-13.50dis	-4.34
Norway	5.8650 - 5.9100	5.8775 - 5.8825	1.75-2.00oredis	-3.83	5.55-6.00dis	-3.93
France	5.0825 - 5.1200	5.0850 - 5.0900	0.96-1.06cdis	-2.38	3.05-3.35dis	-2.52
Sweden	5.6300 - 5.6350	5.6225 - 5.6275	2.95-3.15oredis	-6.51	8.60-9.10dis	-6.29
Japan	135.25 - 136.25	135.60 - 135.70	0.04-0.06ydis	-0.44	0.16-0.19dis	-0.52
Austria	10.5200 - 10.5550	10.5325 - 10.5375	1.60-3.20grodis	-2.73	4.20-6.70dis	-2.07
Switzerland	1.2730 - 1.2820	1.2745 - 1.2755	0.10-0.15cdis	-1.18	0.36-0.44dis	-1.25
Ecu	1.3605 - 1.3700	1.3695 - 1.3705	0.35-0.30cpm	2.85	1.02-0.96pm	2.89

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9150 - 1.9325	1.9295 - 1.9305	1.12-1.08cpm	6.84	2.87-2.83pm	5.91
Canada	2.2215 - 2.2405	2.2395 - 2.2405	0.63-0.48cpm	2.97	1.40-1.15pm	2.28
Netherlands	3.2500 - 3.2600	3.2500 - 3.2600	1¼-1⅛cpm	4.61	3¼-3pm	3.84
Belgium	59.40 - 59.90	59.70 - 59.80	25-18cpm	4.32	57-32pm	2.98
Denmark	11.0975 - 11.2075	11.1450 - 11.1550	5⅛-3⅝orepm	4.71	11⅛-9⅛pm	3.63
Ireland	1.0830 - 1.0840	1.0855 - 1.0865	0.33-0.26ppm	3.26	0.73-0.60pm	2.45
Germany	2.8800 - 2.8900	2.8825 - 2.8875	1½-1¼pfpm	5.72	3-2¾pm	3.99
Portugal	254.80 - 259.45	254.80 - 255.80	44-24cpm	1.60	par-60dis	-0.47
			4-13cdis	-0.56	26-40dis	-0.72

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9300	1.9190	1.9015	1.8793	1.8435

IMM-STERLING $s per £

	Close	High	Low	Prev.
Mar	1.9094	1.9100	1.9020	1.9056
Jun	1.8860	1.8850	1.8800	1.8828
Sep	1.8660	-	-	1.8638

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
December	1515.0	1510.0	+9.3	1515.0	1496.0	4,055
January	1524.0	1520.0	-9.0	1524.0	1509.0	5,580
February	1523.0	1529.0	-8.0	1529.0	1523.0	110
March	1539.0	1539.0	-5.0	1539.0	1539.0	210

Estimated volume 8,222 Total Open Interest 9,955

All figs. as at Dec. 28.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Bank Limited	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	● Hambros Bank	14	United Mizrahi Bank	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Barclays Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Benchmark Bank	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	Hongkong & Shangh	14	Yorkshire Bank	14
● Brown Shipley	14	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk.	14		
City Merchants Bank	14	Midland Bank	14		
Clydesdale Bank	14	Mount Banking	14		
Comm.Bk.of London Plc	14	Nat Bk. of Kuwait	15		
Co-operative Bank	*14				

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MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
Financial Times				
Government Securities	82.79	80.98	79.61	78.38
Fixed Interest	90.75	88.75	88.36	86.72
Ordinary	1696.1	1630.4	1619.5	1599.1
Gold Mines	147.2	161.2	173.9	192.0
SEAQ Bargains(4.45pm)	28,454	21,599	20,921	18,199
F.T.-Actuaries				
Industrial Group	1040.55	1002.42	1006.17	998.80
500 Share	1145.07	1108.51	1115.09	1116.52
Financial Group	722.33	696.03	683.72	669.19
All-Share	1040.62	1006.98	1009.41	1008.65
FT-SE 100	2164.1	2089.7	2091.9	2081.0
FT-SE Eurotrack 100	972.64	962.37	-	-

	Highest December close	Lowest December close
Ordinary	1723.8 (7th)	1673.7 (31st)
All-Share	1050.67 (7th)	1032.25 (31st)
FT-SE 100	2183.4 (7th)	2143.5 (31st)
FT-SE Eurotrack 100	1003.35 (6th)	937.25 (28th)

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,431 Set by CINEPHILE

"Wide" and "narrow" refer to human girth

ACROSS

1 Depart stammering in wide bundle (6)
4 Breezes backing around narrow island (3,5)
9 Usurer or librarian, perhaps, narrow if headless (6)
10 See 21
12 Man of the mountains, beginner, narrow (8)
13 Man of religion, Greek character, narrow (6)
15 Fruit that's infinitely wide (4)
16 Fifty reached with a wide, not run out – final wicket (4,3)
20, 30 Present at present wide in 10, having completely disappeared (7,2,2,4)
21, 10 French people who smell include narrow liberals in religion (12)
25 Wide spirit going back backward (6)
26 Fellow European, narrow type supports vegetables (8)
28, 29 Composition of a hundred and one pound note, also including wide (8,6)
30 See 20
31 Narrow tavern in heaven (6)

DOWN

1 Writers of big letters got their hands on gratuities (4,4)
2 Liberal, for example, upset by imperialist (American) (8)
3 Love in truth – I must go, too (6)
5 Rugger time in industrial area (4)
6 Lounge about at ancient city having a boring time (8)
7 Provoke with eye (6)
8 Posit fool as solver (say) to compiler (6)
11 God suffering in style (7)
14 Hors d'oeuvre with gun? (7)
17 Monstrous part of canal (4,4)
18 Contemplates offspring – a boy (6,2)
19 Leadership of man with stone on top of you (8)
22 Inversely stopped phoning for remainder (3-3)
23 Writer with a lot of coins, secondly (3,3)
24 A girl's name for king's coat (6)
27 Something nasty, eye-wise (4)

Solution to Puzzle No.7,430

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices December 31

2700 UAP A	$18	15⅞	16	+ ½
1624 Unicorp A	85	85	85	− 5
411 Un Corp	$27⅝	27¼	27½	+ ¼
44820 Varity C	235	230	230	− 4
22300 Viceroy R	470	445	460	+ 10
1300 WIC B f	$12⅝	12⅛	12⅝	
5000 Weldwood	$16	16	16	
4422 Wcoast E	$21¾	21½	21½	− ⅛
2000 Westmin	210	205	210	− 5
1000 Weston	$41¾	41¾	41¾	+ ½

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices December 31

5500 BombrdrB	$15½	15¼	15⅜	+ ⅛
6825 Cambior	$12⅛	12	12	− ⅛
1100 Cascades	400	400	400	
23304 DomTxtA	$06	05⅞	06	+ ⅛
5927 Memotec	$08	07⅞	07⅞	
34485 NatBk Cda	$08	07¾	08	+ ⅛
3800 Power Corp	$16	15¾	16	+ ⅛
488 Provigo	$10⅜	10⅜	10⅜	− ⅛
600 Quebecr A	$15¼	15¼	15¼	
400 Videotron	$11½	11½	11½	

Total Sales 1,858,030 shares.

INDICES

NEW YORK DOW JONES

	Dec. 31	Dec. 28	Dec. 27	Dec. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2633.66	2629.21	2625.50	2637.13	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.57	91.60	91.54	91.40	93.04 (3/1)	88.44 (24/9)	95.51 (9/2/87)	54.99 1/10/81)
Transport	910.23	911.54	913.42	922.23	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.70	210.07	210.45	211.33	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2641.09 (2639.11) Low 2611.14 (2607.92)

STANDARD AND POOR'S

	Dec. 31	Dec. 28	Dec. 27	Dec. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.22	328.72	328.29	330.85	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	387.42	385.26	384.38	387.09	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.43	23.36	23.47	23.88	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.49	179.65	179.48	180.60	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	308.11	304.65	303.67	304.99	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	373.84	371.20	371.05	372.40	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 28	Dec. 21	Dec. 14	year ago (approx.)
Dow Industrial Div. Yield	3.92	3.92	3.97	3.87

	Dec. 26	Dec. 19	Dec. 12	year ago (approx.)
S & P Industrial div. yield	3.31	3.32	3.31	2.90
S & P Indl. P/E ratio	15.92	15.88	15.89	14.51

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Oxy Pete	1,704,600	18⅛	− ⅜
Mesa	1,475,300	3	+ ¼
Citicorp	1,471,500	12⅝	− ⅛
Navistar	1,142,800	2¼	+ ⅛
Bank N.Eng.	1,052,500	[illegible]	...
Unisys	1,032,600	2½	− ⅛
Pan Am	979,300	1⅛	+ ⅛
Ford Motor	956,000	26⅝	− ⅛
AT & T	931,000	30⅛	+ ⅛
USF & G	900,900	7½	+ ⅜

TRADING ACTIVITY

† Volume Millions	Dec. 31	Dec. 28	Dec. 27
New York	114.130	111.040	102.900
Amex	15.130	12.276	9.359
NASDAQ	128.874	132.328	102.724
Issues Traded	(u)	2,017	2,001
Rises	1,022	706	586
Falls	571	788	905
Unchanged	(u)	523	510
New Highs	(u)	22	13
New Lows	(u)	52	41

CANADA TORONTO

	Dec. 31	Dec. 28	Dec. 27	Dec. 26	1990 HIGH	1990 LOW
Metals & Minerals	2739.70	2727.00	2742.94	(c)	3453.05 (4/1)	2486.60 (8/11)
Composite	3256.80	3237.46	3233.69	(c)	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1726.13	1712.79	1713.97	(c)	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 31	Dec. 28	Dec. 27	Dec. 26	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	(c)	1279.8	1280.7	(c)	1713.7 (12/1)	1270.7 (24/12)
All Mining (1/1/80)	(c)	584.0	586.7	(c)	860.8 (5/1)	578.5 (19/12)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	448.06	443.87	(c)	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	(c)	4963.81	4934.35	(c)	6599.43 (12/1)	4930.49 (24/12)
DENMARK						
Copenhagen SE (3/1/83)	(c)	314.80	315.00	(c)	388.29 (20/7)	310.58 (21/12)
FINLAND						
Unitas General (1975)	(c)	395.6	396.6	(c)	677.3 (23/1)	395.4 (18/12)
FRANCE						
CAC General (31/12/82)	(c)	413.04	415.83	414.79	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	(c)	1517.93	1528.90	1536.89	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	(c)	603.06	610.65	(c)	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	(c)	1701.2	1726.1	(c)	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	(c)	1398.23	1410.87	(c)	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3024.55	3053.73	3066.71	(c)	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1201.77	1195.47	(c)	(c)	1893.10 (22/1)	1193.66 (5/12)
ITALY						
Banca Com. Ital. (1972)	516.57	519.42	519.24	(c)	763.52 (14/6)	500.67 (29/11)
JAPAN						
Nikkei (16/5/49)	(c)	23848.71	23940.70	23887.56	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	(c)	1733.83	1740.55	1729.81	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	(c)	2711.15	2722.86	2718.07	4477.16 (16/7)	2711.15 (28/12)
MALAYSIA						
KLSE Composite (4/4/86)	505.92	500.88	500.72	501.92	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(c)	229.6	231.3	(c)	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	(c)	168.3	169.5	(c)	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	(c)	677.01	661.82	(c)	915.13 (2/8)	649.23 (21/12)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	652.42	651.65	657.78	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	323.28	321.60	318.99	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1201.0	1201.0	(c)	2230.0 (16/1)	1111.0 (18/12)
JSE Industrial (28/9/78)	(c)	3023.0	3003.0	(c)	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	696.11	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	(c)	223.25	222.15	224.50	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	(c)	870.60	856.0	(c)	1329.9 (5/7)	815.6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	628.5	629.9	(c)	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	(c)	520.1	520.6	(c)	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	4530.16	4279.33	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	(c)	612.86	603.81	600.88	1143.78 (25/7)	544.30 (30/11)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	(u)	461.8	458.5	459.1	571.0 (4/1)	423.1 (28/9)

**Saturday December 22: Taiwan Weighted Price: 4167.81 Korea Comp Ex. 705.63
°Calculated at 15.00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday December 28

	Stocks Traded	Closing Prices	Change on day
Nippon St	8.3	446	0
Su'tomo Met	5.6	458	+2
Hitachi	3.1	1,130	+10
Honshu Pap	2.9	1,760	-50
M'tbsi Heavy	2.5	668	-5
Tok Elec Pow	2.1	3650	-50
Kawasaki St	2.0	410	-6
NKK	1.9	402	+1
Tokyo Gas	1.9	665	-2
Marubeni	1.8	660	-5

AMEX COMPOSITE PRICES
4pm prices December 31

4pm prices December 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
36⅞	9⅛	AAR	.48	4.2	10	1702	11⅞	10¼	11½	+1⅛
9¼	7⅜	ACM nl.03e		12.		400	9	8¾	8⅞	+ ⅛
11⅛	8⅝	ACMIn 1.26		12.		667	10⅝	10½	10⅝	+ ⅛
9¼	6½	ACM M n1.01		13.		564	7⅞	7⅝	7⅞	+ ¼
12⅛	10	ACMMM 1.50		13.		106	12	11⅞	12	
11½	8⅝	ACM Sc1.26		13.		690	10	9⅞	10	
9⅝	7¼	ACMSp 1.01		12.		480	8½	8⅜	8⅜	– ⅛
24¼	17	AL Lab	.16	.6	21	225	u25½	24½	25⅜	+ ⅞
4⅛	1	AM Intl				1476	1¼	1⅛	1¼	
18⅞	4⅝	AM In pf	2	28.		133	7⅛	6¾	7	– ¼
70¼	39¼	AMR			14	2751	48⅞	48¼	48⅝	+ ⅛
4	1⅜	ARX				261	1½	1⅜	1½	+ ⅛
72⅛	38¼	ASA	3	6.4		1077	46⅞	45⅝	46⅞	+1⅜
3½	1⅞	ATTC wt				156	2¼	2⅛	2¼	
46⅞	31¼	AbtLab s.84		1.9	21	3248	46	44	45	+ ⅛
14	10⅝	Abitibi g .50				18	10⅛	d10⅛	10⅛	– ⅛
11⅝	4⅝	AcmeC	.40	8.4	11	721	4¾	d 4½	4¾	+ ¼
6⅞	5	AcmeE	.32	6.4	9	47	5	5	5	
32¾	18⅞	Acuson s			21	445	28⅜	26½	28⅜	+ ⅛
16⅞	14⅛	AdaEx 1.72e		12.		349	14⅞	14⅝	14⅞	
14¾	9⅛	Adobe				127	9⅝	9⅛	9⅛	– ⅛
21⅝	19¼	Adob pf 2.40		12.		20	19½	19½	19½	+ ⅛
11⅞	3⅝	AMD				3407	4⅞	4⅝	4⅞	+ ⅛
32⅛	13	AMD pf	3	17.		50	18¼	18	18	
7⅝	1⅝	Advest	.16	5.8		278	3	2⅞	2⅞	+ ⅛
58⅛	29	AetnLf 2.76		7.1	6	1515	38¾	38¼	38	– ⅜
12⅛	6¼	AflPb	.24	2.9		1834	8½	7⅝	8¼	+ ½
22½	10⅝	Ahmans .88		6.5	5	2283	13½	13¼	13½	+ ¼
3⅝	1⅞	Aileen			8	18	3⅛	3⅛	3⅛	
61	42⅞	AirPrd 1.44		2.6	13	858	55	53⅞	54¾	– ⅝
27	13⅛	AirFrt s .30		1.8	9	171	17	16½	17	– ⅛

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	13¼	Wynns	.60	3.6	10	220	16¾	15⅞	16¾	+1⅛
		– X–Y–Z –								
68⅞	29	Xerox	3	8.4	7	3281	35¾	34⅞	35¾	+ ½
48½	42½	Xerox pf	4.13	9.4		1	44	44	44	– ½
32⅞	13	XTRA	.72	4.7		136	15¼	14⅞	15¼	+ ½
25	12½	XTRA pf	1.94	13.		34	14⅞	14½	14½	+ ⅛
3⅝	5-16	Zapata				2393	9-16	13-32	½	+1-32
8⅝	3	Zemex				26	3⅞	3½	3⅞	+ ¼
13⅝	4	ZenithE				1337	6⅝	6⅛	6⅝	+ ⅛
18⅞	9⅞	ZenNtl	1	7.3	9	462	13⅝	13	13⅝	+ ⅝
7½	4⅛	Zenix	.93	20.		686	4⅞	4⅛	4⅞	+ ½
17⅞	9⅞	Zero	.40	3.6	12	324	11⅛	11	11⅛	+ ⅛
51½	29⅝	Zurnin	.88	2.5	15	264	35	33⅞	35	+1⅛
12⅝	10⅛	Zweig	1.18e	11.		415	11⅛	11	11⅛	
10	7⅞	ZweigTl	.84	9.7		734	8⅞	8⅝	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4pm prices December 31

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on next page

FINANCIAL TIMES Wednesday January 2 1991

AMERICA

Move to the heavyweights underpins Dow in 1990

Wall Street

US STOCK markets finished 1990 showing their worst annual performance since 1981, when America last went into recession, *writes Martin Dickson in New York*.

In a token final day of trading, the Dow Jones Industrial Average closed on New Year's Eve at 2633.66, up 4.45 points on the day but down 4.3 per cent for the year. The broader Standard and Poors 500 closed at 330.23, up 1.51 on the day but down 6.6 per cent on the year. The Nasdaq composite index ended the day up 2.64 at 373.84.

The Dow's better performance over the year underlines a move by investors into large capitalisation stocks in consumer industries such as food, drink and health care ahead of recession.

A late rally on Monday took the lead index out of narrow losses on the day and on the New York Stock Exchange advances outnumbered declines by 1024 to 570. Volume was a thin 114m shares, with many investors leaving offices early for new year celebrations and others made cautious by continuing worries of war in the Middle East.

Although the Dow ended the year 366 points down from the all-time peak it reached last summer, the index has rallied by some 250 points from the low point it reached in October during a serious bout of Middle East war jitters.

In the bond market, US Treasuries closed at the high end of the trading range, with the benchmark 8¾ per cent 30-year issue ending at 105 19/32, up 11/32, to yield 8.24. At the short end, the 7¼ two year notes were up 1/16 at 100 to yield 7.13.

The rise was due mainly to hopes that the European Community's initiative to break the diplomatic deadlock in the Middle East might persuade Iraq to leave Kuwait before the January 15 United Nations deadline.

The Federal Reserve added liquidity to the banking system with an unexpected arrangement of two-day system repurchasing agreements, but this was seen as a technical move to smooth out year-end funding pressures and the key Fed Funds rate is expected to trade today at the central bank's perceived target rate of 7 per cent.

Among the most active stocks were Citicorp, the largest of the New York money centre banks, which faces mounting problems in its loan portfolio. But after a morning dip it closed the day unchanged at $12¾.

Occidental Petroleum, whose chairman, Dr Armand Hammer, died recently, was also high on the actives list, closing down $⅜ at $18⅜. Other oils were mixed, with Exxon up $¼ at $51¾ and Mobil down $¾ at $58.

Among technology issues, IBM was off $⅜ at $113, while AT&T rose $⅛ to $30⅛. Unisys, after a morning dip in active trading, ended unchanged at $2⅜.

USG, the troubled parent company of US Gypsum, saw its stock drop $⅛ to $1 1/16 and its 13.25 per cent junk bonds drop from 34 to 20 after the company announced plans for a financial restructuring, which is likely to include a junk bond exchange plan and a dilution of equity interests. However, the company added that it did not wish to file for Chapter 11 bankruptcy protection from its creditors.

For the rest of the week, attention will focus on the Middle East, and two sets of domestic economic data. The National Association of Purchasing Managers' Index, due to be released today, is expected to show a further low reading, indicating that recessionary forces are still gathering. On Friday, the first important economic data for December, the employment figures, are expected to point to another month of substantial declines in non-farm payrolls.

Canada

TORONTO closed the New Year's Eve session higher after very light trading. An analyst commented that a lot of money is on the sidelines, awaiting the January 15 deadline for Iraqi withdrawal from Kuwait.

The composite index moved up 19.3 to 3,256.7, leaving it down 18 per cent for the year, but 106 points better over the month of December. Advances outnumbered declines by 310 to 165 on volume of 9.5m shares, against Friday's 10.1m.

Eleven of the 14 stock groups gained ground, led by golds, up 2.8 per cent. Placer Dome climbed C$1 to C$19⅜ to lead the sector. Industrial products added 1.1 per cent, while energy, mining, consumer products and financial services were also higher.

Euro-Nevada put on C$⅜ to C$11. Prime Resources announced that it will sell to Euro-Nevada a 1 per cent net smelter return royalty interest in the Eskay Creek gold property in British Columbia for C$9.5m. Among the actives, Bank of Nova Scotia and Canadian Pacific each rose C$⅛, to C$12⅜ and C$19⅜.

Submerged Tokyo revives 1950 memories

Japanese share prices have seen their worst decline in 40 years, says **Emiko Terazono**

A YEAR AGO, the Japanese stock market had reached dizzy record heights, and the enthusiasm that pushed prices to their peak had also inspired otherwise sober stock market analysts to predict that the Nikkei could hit 80,000.

The reality has been different. For the first time in 13 years, Tokyo has ended the year lower, as the Nikkei average closed limply on Friday at 23,848.71, with predictions for this year qualified by the prospect of a Gulf war and slowing economic growth.

The Tokyo market, down by as much as 48 per cent on 1990 in October, has not seen such staggering falls in 40 years, since the Nikkei average plunged 51.8 per cent during 1950. The market was hit then by deflation.

The reasons for last year's crash are well understood: sharply higher interest rates; a tougher monetary policy by a concerned Bank of Japan; and a sudden loss of confidence by previously bullish brokers, who were surprised by their inability to talk the market up.

Then there were the problems at Japanese banks, where lending slowed as their equity assets diminished, putting an end to the era of easy money. The liquidity squeeze affected volume and that, in turn, meant lower profits for the brokers. Average daily volume in November came to 313m shares, the lowest since January 1986, and 67 per cent less than in the same month in 1989.

When trading closed on Friday, the market was focusing on forecasts for the course of the Japanese economy and interest rates in 1991. Economic growth is officially predicted at 3.8 per cent this year, down from 5.2 per cent in 1990. Corporate profits are expected to decline sharply, with some pessimists predicting a 15 per cent decline.

All 28 Topix sectors turned down last year, with marine and land transportation – hit by the rise in oil prices – and real estate falling by more than 50 per cent on the year.

The property sector was hit by softening land prices, higher interest rates and tax reforms. Tighter controls on bank lending and softening demand forced smaller real estate companies to offload land, and a number of small companies with a high exposure to property investments have faced bankruptcy.

On the bright side, game manufacturers performed well relative to the stock market, at least until the Christmas period. Nintendo's share price shot up during the summer, more than doubling from the beginning of the year to its all-time high of Y34,300 in October.

While the issue finished the year more than 26 per cent higher, the steep rise in the price of the issue has recently driven investors away, and the shares closed at Y18,500 on Friday. Worried company officials last week announced plans to lower its stock trading unit to 100 shares from the present 1,000.

Worries over recession in the US have also depressed Nintendo's shares recently. Mr Nizam Hamid at UBS Phillips & Drew predicts a sharp drop in the company's profits over the next two years.

The pulp and paper sector has had a relatively strong year, although most attention was grabbed by the speculative stock, Honshu Paper. Reports of a hostile acquisition by a Singapore-backed Hong Kong investment company with ties to an Indonesian paper maker, added to the uncertainty surrounding a stock that has long been a favourite among Japanese speculative groups.

The issue came into focus at the end of 1989, when speculators drove the issue up from the Y1,000 level, and the stock surged to its all-time high of Y5,020 in August. It ended the year falling to Y1,760, symbolising the end of the rampage through the market by speculators.

When trading closed on Friday, the market was focusing on forecasts for the course of the Japanese economy and interest rates in 1991. Economic growth is officially predicted to grow 3.8 per cent this year, down from 5.2 per cent last year. Corporate profits are expected to decline sharply, with some pessimists predicting a 15 per cent decline.

Most analysts seem to be gloomy about stock prices this year. Mr Jason James at James Capel sees lower corporate profits and lower bond yields having a significant effect on stock prices, and predicts the market will fluctuate around 26,000 on the Nikkei.

Mr Jonathan Maclure at Schroder Securities sees the market testing the 20,000 level, and does not see the Nikkei average going above 25,000.

But some put their confidence in the Tokyo stock market. Mr Christopher Mitchinson at Salomon Brothers International believes that, with foreign investors acting as catalysts to support equity prices, the Nikkei will recover to 30,000.

"Investors in the US are underweight in Japanese equities and are looking to reallocate their assets," he says.

Year ends quietly as Milan and Hong Kong decline

Europe

ALL BOURSES closed to celebrate the new year yesterday, while Italy was the only leading market open on Monday, when it fell in quiet trading, *writes Our Markets Staff*.

MILAN eased in thin, pre-holiday trading, with the Comit index declining 2.85 to 516.57, a fall of 25 per cent on the year, mostly owing to worries about the Gulf crisis and its effect on oil prices.

Among the losers, Fiat ordinary shares fell L129, or 2.3 per cent, to L5,361. Generali lost L345, or 1.2 per cent, to L28,660 and Olivetti shed L48, or 1.5 per cent, to L3,172.

Montedison, which began trading in its newly merged form with Ferruzzi Agricola, was unchanged at L1,385.

ATHENS edged higher, with the general index up 0.40 at 932.00, a rise of almost 103 per cent on the year.

Asia Pacific

TOKYO AND most other Pacific Rim markets were closed for the first two days this week, leaving Hong Kong and Kuala Lumpur the only markets open on Monday.

HONG KONG finished the year quietly, as the Hang Seng index recouped part of an initial 40-point loss to end the half-day session 29.18 lower at 3,024.55. The index managed to rise 6.6 per cent during 1990, making Hong Kong one of the few markets in the world to gain ground over the year.

Individual investors dominated trading, most institutions having already closed their books. Turnover came to HK$279m, against last Friday's full-day total of HK$338m, the lowest figure for two years.

KUALA LUMPUR moved higher in its half-day trading on bargain hunting and institutional support. The composite index added 5.04 at 505.92. It has lost 10 per cent over the year, compared with neighbouring Singapore's 22 per cent retreat. Volume on Monday reached 42m shares, compared with 12m by midday on Friday.

On the active stocks list, Malayan Banking rose 5 cents to M$6.95 on 3.9m shares.

HOW THE WORLD MARKETS PERFORMED IN 1990

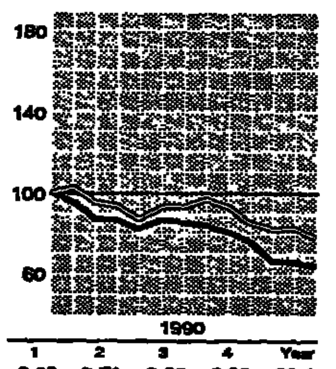
KEY

Pound sterling index
Local currency index

Figures below charts show: Quarterly and annual capital changes (%) in local currency.
1,2,3,4 = first, second, third, fourth quarter changes
Y = is the annual change.

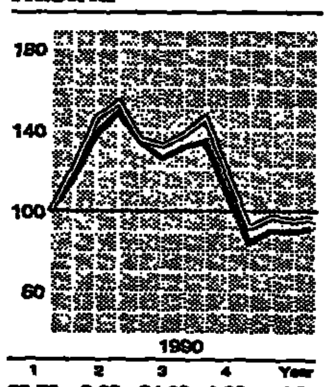
Source : FT-Actuaries World Index. Figures jointly compiled by the Financial Times, Goldman Sachs & Co. and County NatWest / Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

Australia



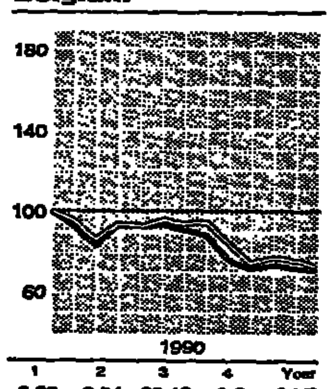
1	2	3	4	Year
-6.08	-0.71	-8.26	-8.62	-20.1

Austria



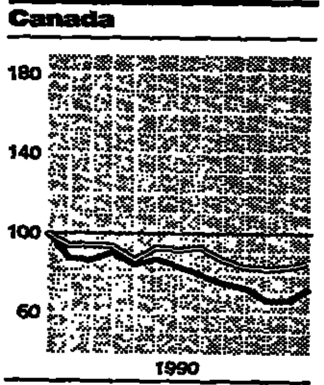
1	2	3	4	Year
53.72	-9.89	-34.02	4.66	-4.3

Belgium



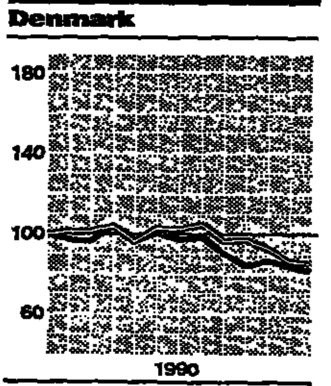
1	2	3	4	Year
-6.28	-0.04	-20.19	-0.6	-25.7

Canada



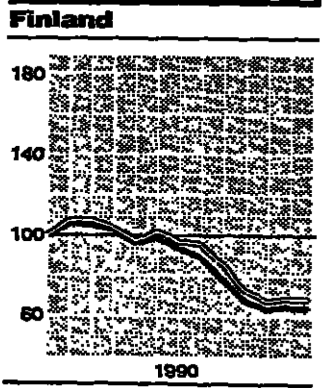
1	2	3	4	Year
-6.70	-2.47	-8.07	2.33	-14.4

Denmark



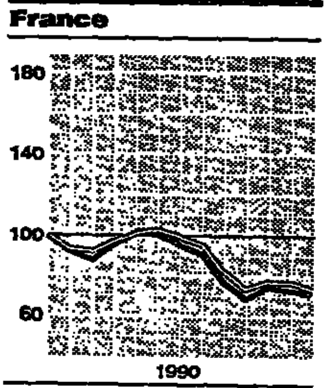
1	2	3	4	Year
4.83	-2.25	-14.08	-4.22	-15.7

Finland



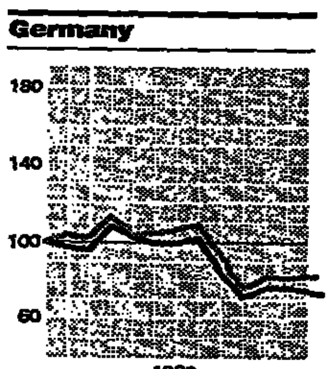
1	2	3	4	Year
4.03	-5.75	-26.84	-3.27	-30.6

France



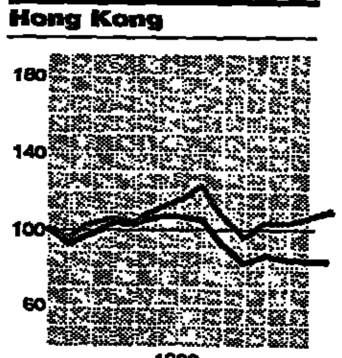
1	2	3	4	Year
-2.75	2.38	-26.40	1.33	-25.7

Germany



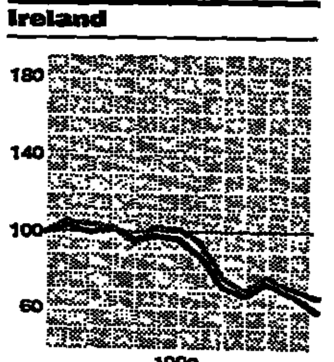
1	2	3	4	Year
11.04	-4.25	-28.64	11.0	34.1

Hong Kong



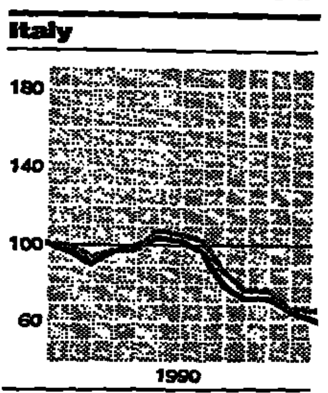
1	2	3	4	Year
5.38	9.62	-17.07	0.6	4.7

Ireland



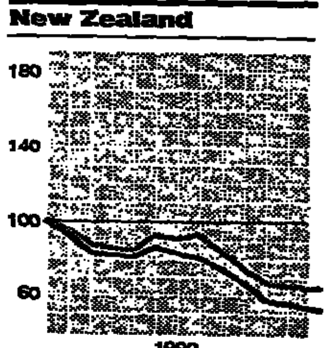
1	2	3	4	Year
1.93	-1.30	-30.65	3.9	33.4

Italy



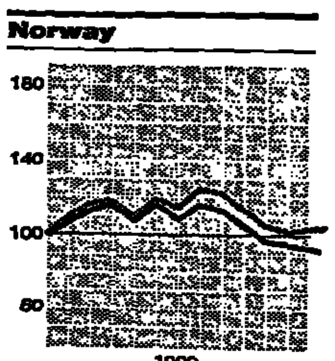
1	2	3	4	Year
-2.60	8.76	-27.83	-3.8	12.3

New Zealand



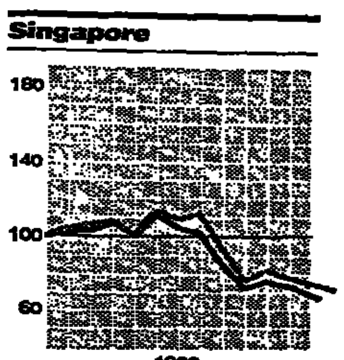
1	2	3	4	Year
-14.00	5.67	-17.42	-12.8	13.1

Norway



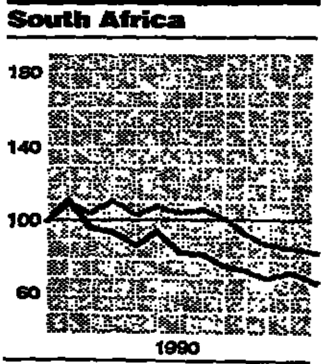
1	2	3	4	Year
17.32	-2.59	-1.91	2.3	44.5

Singapore



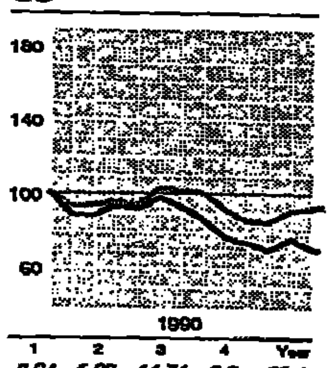
1	2	3	4	Year
8.51	0.91	-29.53	5.4	38.4

South Africa



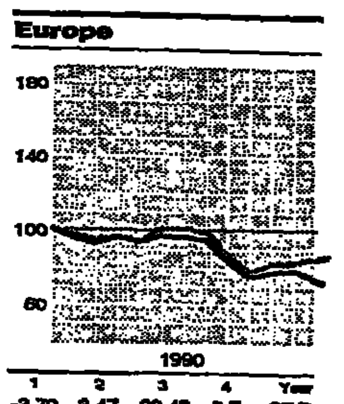
1	2	3	4	Year
10.62	-7.12	-10.18	10.8	54.8

US



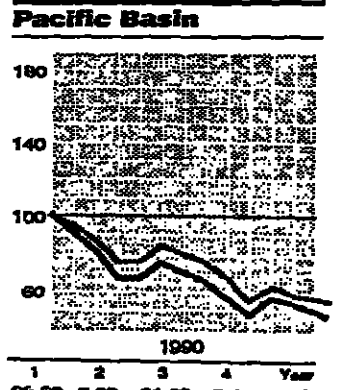
1	2	3	4	Year
-3.94	5.28	-14.74	0.8	25.4

Europe



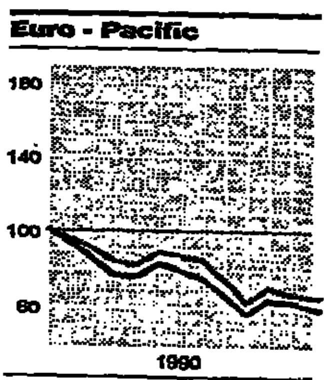
1	2	3	4	Year
-2.70	3.47	-22.43	2.7	27.7

Pacific Basin



1	2	3	4	Year
-23.62	5.02	-31.83	5.4	18.2

Euro - Pacific



1	2	3	4	Year
-18.34	4.35	-27.97	4.5	21.0

FT-ACTUARIES WORLD INDICES

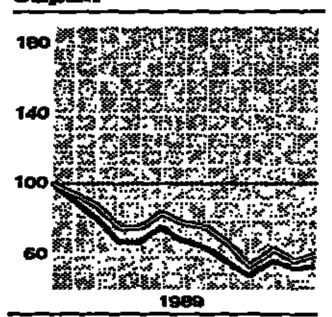
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 31 1990								FRIDAY DECEMBER 28 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (75)	118.05	+0.1	90.69	101.22	91.76	101.80	+0.0	7.82	117.94	90.97	100.68	91.82	101.80	158.31	117.52	151.38
Austria (19)	196.64	+0.3	151.06	168.62	152.84	152.97	+0.0	1.79	196.13	151.29	167.44	152.70	152.97	285.63	178.57	182.20
Belgium (60)	132.22	+0.3	101.57	113.37	102.77	100.92	+0.0	5.68	131.80	101.66	112.50	102.61	100.92	160.02	126.67	154.67
Canada (120)	130.03	+0.7	99.89	111.49	101.06	109.27	+0.6	3.65	129.19	99.66	110.28	100.57	108.61	153.61	121.24	152.18
Denmark (33)	232.63	+0.4	178.71	199.48	180.81	182.80	+0.0	1.64	231.73	178.75	197.82	180.41	182.80	277.62	224.71	242.22
Finland (25)	103.14	+0.3	79.23	88.44	80.16	78.46	+0.0	3.89	102.78	79.28	87.75	80.02	78.46	152.29	98.91	133.30
France (122)	131.75	+0.2	101.21	112.97	102.40	105.14	+0.0	3.96	131.50	101.43	112.25	102.37	105.14	168.85	124.98	158.03
Germany (91)	111.90	+0.2	85.96	95.97	86.98	86.98	+0.0	2.61	111.72	86.18	95.38	86.98	86.98	144.63	101.38	123.72
Hong Kong (48)	121.81	−0.9	93.57	104.44	94.68	121.97	−0.9	5.49	122.96	94.85	104.97	95.74	123.13	147.49	112.24	117.13
Ireland (16)	148 46	+0.2	114.05	127.30	115.39	117.69	−0.4	4.40	148.15	114.28	126.48	115.34	118.11	198.57	139.04	181.54
Italy (91)	78 31	−0.6	60.16	67.14	60.86	65.97	−0.7	3.73	78.74	60.74	67.22	61.30	66.42	109.26	75.73	98.43
Japan (453)	124.77	−0.4	95.84	106.98	96.99	106.98	+0.0	0.80	125.32	96.67	106.98	97.58	106.98	197.26	106.58	187.40
Malaysia (34)	212.14	+1.8	162.96	181.89	164.88	220.67	+1.3	3.05	208.47	160.81	177.96	162.30	217.94	250.89	182.96	229.04
Mexico (12)	584 45	+0.2	448.97	501.15	454.26	1886.99	+0.1	0.36	583.08	449.77	497.76	453.95	1885.75	613.96	324.53	325.47
Netherland (41)	133.97	+0.1	102.92	114.88	104.13	103.12	+0.0	5.21	133.77	103.19	114.20	104.15	103.12	149.03	127.56	143.89
New Zealand (15)	43.41	+0.2	33.34	37.22	33.74	39.21	+0.0	8.62	43.31	33.41	36.98	33.72	39.21	75.36	42.62	72.09
Norway (27)	204.27	+0.3	156.92	175.15	158.77	163.03	+0.0	1.90	203.57	157.03	173.79	158.50	163.03	276.79	193.70	199.85
Singapore (25)	159.27	+0.2	122.35	136.57	123.79	127.60	+0.0	3.37	158.90	122.57	135.65	123.71	127.60	209.24	147.24	177.21
South Africa (60)	182.89	−0.2	140.49	156.82	142.15	136.21	+0.0	4.00	183.21	141.33	156.40	142.63	136.21	251.39	151.50	196.33
Spain (41)	140.32	+0.4	107.79	120.32	109.06	101.57	+0.0	5.50	139.73	107.79	119.29	108.79	101.57	182.25	128.54	163.06
Sweden (27)	159.45	+0.4	122.49	136.72	123.93	132.77	+0.0	3.07	158.74	122.45	135.52	123.59	132.77	234.93	153.11	192.05
Switzerland (68)	88.93	+0.2	68.32	76.26	69.13	70.30	+0.0	2.98	88.72	68.44	75.74	69.06	70.30	109.77	85.00	94.07
United Kingdom (297)	165.67	−0.2	127.27	142.04	128.76	127.27	−0.6	5.49	166.06	128.10	141.75	129.27	128.10	176.18	139.87	158.70
USA (533)	133.31	+0.4	102.41	114.31	103.62	133.31	+0.4	3.74	132.76	102.41	113.34	103.37	132.76	148.95	119.06	143.05
Europe (958)	134.53	+0.0	103.34	115.35	104.57	104.37	−0.3	4.46	134.55	103.79	114.87	104.76	104.71	157.65	124.91	142.38
Nordic (112)	167.71	+0.4	128.83	143.80	130.35	130.24	+0.0	2.34	167.03	128.84	142.59	130.04	130.24	223.29	162.50	187.37
Pacific Basin (650)	124.12	−0.4	95.35	106.43	96.47	106.99	+0.0	1.21	124.65	96.15	106.41	97.05	107.01	192.75	107.82	192.59
Euro – Pacific (1608)	128.70	−0.3	98.87	110.35	100.03	106.66	−0.1	2.60	129.02	99.53	110.14	100.45	106.82	174.18	116.03	172.66
North America (653)	133.02	+0.4	102.18	114.07	103.40	131.72	+0.4	3.73	132.45	102.17	113.08	103.14	131.17	148.43	119.26	143.49
Europe Ex. UK (661)	115.51	+0.1	88.73	99.06	89.80	90.98	−0.1	3.67	115.34	88.97	98.48	89.81	91.04	145.62	109.94	131.09
Pacific Ex. Japan (197)	115.83	−0.2	88.98	99.33	90.04	103.58	−0.3	6.47	116.02	89.50	99.06	90.34	103.86	146.72	115.76	134.94
World Ex. US (1800)	129.54	−0.2	99.51	111.08	100.69	107.49	−0.1	2.65	129.82	100.14	110.83	101.08	107.62	173.77	117.12	172.27
World Ex. UK (2036)	126.31	+0.0	97.03	108.31	98.18	114.31	+0.2	2.71	126.26	97.40	107.80	98.31	114.13	162.00	115.37	160.98
World Ex. So. Af. (2273)	129.48	+0.0	99.47	111.04	100.65	115.44	+0.1	3.02	129.48	99.87	110.54	100.81	115.36	161.84	118.04	160.54
World Ex. Japan (1880)	133.71	+0.2	102.71	114.66	103.94	120.12	+0.1	4.11	133.41	102.91	113.90	103.88	120.00	151.59	124.31	143.47
The World Index (2333)	129.80	+0.0	99.71	111.31	100.90	115.59	+0.1	3.03	129.80	100.12	110.81	101.06	115.51	162.05	118.33	160.75

Markets open December 31: Canada, Hong Kong, Ireland, Italy, Malaysia, UK and US.

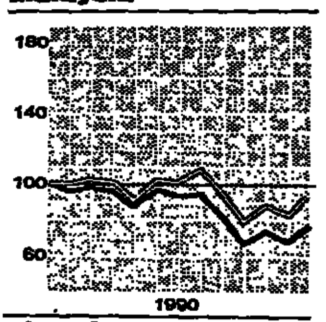
Constituent change: MCA (US) will be deleted with effect from 2/1/91. Belgian prices were unavailable 28/12.

Japan



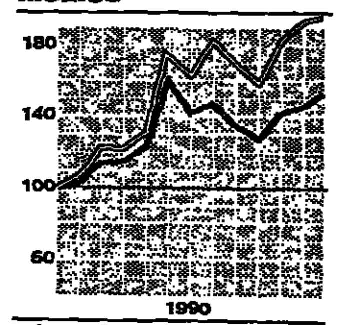
1	2	3	4	Year
-24.91	5.20	-33.18	12.97	-40.4

Malaysia



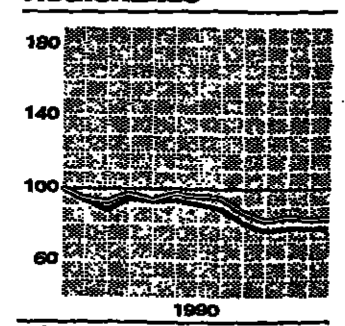
1	2	3	4	Year
0.43	0.35	-20.88	15.97	-7.3

Mexico



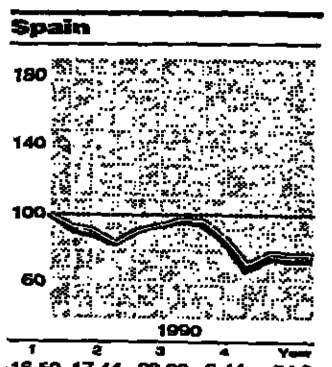
1	2	3	4	Year
22.22	32.57	-1.63	23.68	97.1

Netherlands



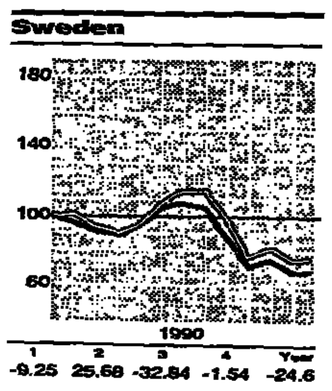
1	2	3	4	Year
-2.88	-0.48	-15.29	0.35	-17.8

Spain



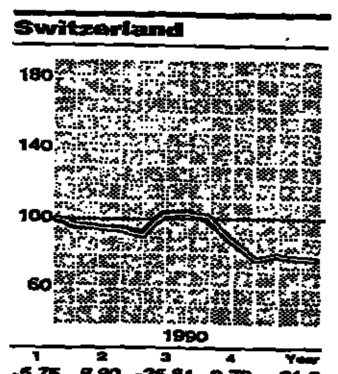
1	2	3	4	Year
-16.50	17.44	-28.00	6.44	-24.9

Sweden



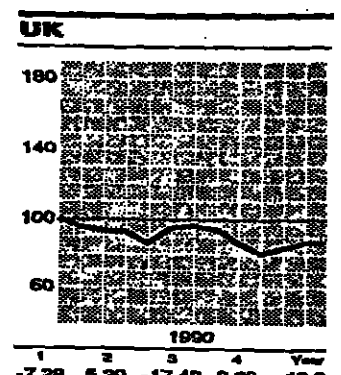
1	2	3	4	Year
-9.25	25.68	-32.84	-1.54	-24.6

Switzerland



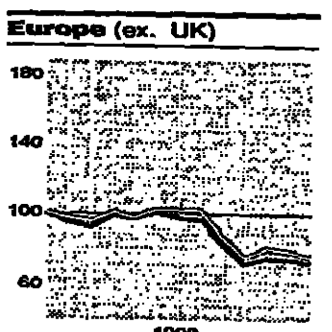
1	2	3	4	Year
-5.75	8.80	-25.81	2.73	-21.8

UK



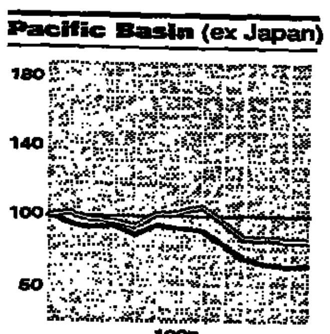
1	2	3	4	Year
-7.28	5.39	-17.42	8.09	-12.8

Europe (ex. UK)



1	2	3	4	Year
0.42	2.32	-25.72	1.33	-22.7

Pacific Basin (ex Japan)



1	2	3	4	Year
1.73	2.90	-13.98	-0.76	-13.6

Sterling Exchange Rates

JANUARY 2 1990

US $	W.German Dm	Japan Yen
1.6115	2.7525	235.25

DECEMBER 31 1990

US $	W.German Dm	Japan Yen
1.93	2.8850	261.75